

New Issue  
Book-Entry Only

Insured Ratings: Moody's: Aaa  
Standard & Poor's: AAA  
Fitch: AAA  
MBIA Insured

*In the opinion of Gilmore & Bell, P. C. and the Hardwick Law Firm, LLC, Co-Bond Counsel, interest on the Bonds is includable in gross income for purposes of federal income tax purposes and income taxes imposed by the State of Missouri under Chapter 143 of the Revised Statutes of Missouri.*

**CITY OF KANSAS CITY, MISSOURI**  
**\$57,020,000**  
**Subordinated Taxable Airport Improvement**  
**and Refunding Revenue Bonds**  
**(Consolidated Rental Car Facility Project)**  
**Series 2005C**

**Dated: April 1, 2005**

**Due: September 1, as shown below**

The Subordinated Taxable Airport Improvement and Refunding Revenue Bonds, Series 2005C (the "Bonds") will be dated April 1, 2005, and issued in book-entry form with a single global bond certificate for each series and maturity of the Bonds. The Bonds are issuable only as fully registered bonds, without coupons, and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interests in Bonds purchased. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Bondholders or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (herein defined) of the Bonds. Principal of and semiannual interest on the Bonds will be paid from moneys available therefor as described under "Bondowner Payments" herein, by the City to Wells Fargo Bank, N.A., Kansas City, Missouri, as Paying Agent. So long as DTC or its nominee, Cede & Co., is the bondowner, such payments will be made directly to such bond owner. DTC is expected, in turn, to remit such principal and interest to the DTC Participants (herein defined) for subsequent disbursement to the Beneficial Owners. Principal of the Bonds will be payable on each September 1 in the years shown below. Interest on the Bonds will be payable on each March 1 and September 1, beginning on September 1, 2005.

The Bonds are subject to optional redemption as described herein.

The regularly scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a financial guaranty insurance policy to be issued by MBIA Insurance Corporation (the "Bond Insurer") with respect to the Bonds simultaneously with the delivery of the Bonds.



See "BOND INSURANCE POLICY" and Appendix C herein.

The Bonds are revenue obligations of the City of Kansas City, Missouri (the "City"), payable solely from revenues derived and to be derived by the City from the operations of the City's airports, including Kansas City International Airport, Kansas City Downtown Airport and any other airport hereafter owned and operated by the City, which are junior and subordinate to payments on the Outstanding Senior Bonds, as defined herein. The Bonds will not constitute general obligations of the City and will not constitute an indebtedness of the City within the meaning of any constitutional, statutory or charter provision, limitation or restriction.

The Bonds are subject to certain risks. See the caption "BONDHOLDERS' RISKS" herein.

SERIES 2005C BONDS							
<u>Maturity</u> <u>September 1,</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price or</u> <u>Yield</u>	<u>Maturity</u> <u>September 1,</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price or</u> <u>Yield</u>
2007	\$3,015,000	5.000%	4.250%	2014	\$4,065,000	5.000%	5.050%
2008	3,130,000	5.000%	4.500%	2015	4,265,000	5.000%	5.100%
2009	3,260,000	5.000%	4.650%	2016	4,475,000	5.000%	5.150%
2010	3,395,000	5.000%	4.700%	2017	4,700,000	5.125%	5.250%
2011	3,550,000	5.000%	4.800%	2018	4,935,000	5.150%	5.300%
2012	3,710,000	5.000%	4.850%	2019	5,185,000	5.200%	5.350%
2013	3,880,000	5.000%	4.950%	2020	5,455,000	5.250%	5.400%

**THIS COVER PAGE PROVIDES CERTAIN INFORMATION FOR CONVENIENT REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION**

The Bonds are offered when, as and if issued by the City, subject to the approval of legality by Gilmore & Bell, P.C. and the Hardwick Law Firm, LLC, Kansas City, Missouri, Co-Bond Counsel. Certain legal matters will be passed upon for the City by the City Attorney. It is expected that the Bonds will be available for delivery at the Depository Trust Company in New York, New York on or about April 14, 2005.

The date of this Official Statement is March 31, 2005.

## **REGARDING USE OF THIS OFFICIAL STATEMENT**

**No dealer, broker, salesman or other person has been authorized by the City or the Underwriters to give any information or to make any representations with respect to the Bonds offered hereby other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds offered hereby by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been furnished by the City and other sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriters. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or the Bond Insurer since the date hereof.**

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**IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

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**THE BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER ANY STATE SECURITIES OR "BLUE SKY" LAWS. THE BONDS ARE OFFERED PURSUANT TO AN EXEMPTION FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION.**

**CITY OF KANSAS CITY, MISSOURI**

**ELECTED OFFICIALS**

**MAYOR**

Kay Barnes

**CITY COUNCIL MEMBERS**

**Council Members-at-Large**

District 1..... Deb Hermann  
District 2 ..... Bonnie Sue Cooper  
District 3 ..... Troy Nash  
District 4 ..... Jim Glover  
District 5 ..... Rebecca "Becky" Nace  
District 6 ..... Alvin L. Brooks

**District Council Members**

District 1 .....Bill Skaggs  
District 2 .....John Fairfield  
District 3 .....Saundra McFadden-Weaver  
District 4 .....Jim Rowland  
District 5 .....Terry Riley  
District 6 .....Charles A. Eddy

**CITY MANAGER**

Wayne Cauthen

**CITY CLERK**

Millie Crossland

**CITY ADMINISTRATORS**

Galen Beaufort, City Attorney  
Wanda Gunter, Acting Director of Finance  
Mark Van Loh, Director of Aviation

**CO-FINANCIAL ADVISORS**

OPPENHEIMER & CO. INC.  
Kansas City, Missouri

VALDÉS & MORENO, INC.  
Kansas City, Missouri

**CO-BOND COUNSEL**

GILMORE & BELL, P.C.  
Kansas City, Missouri

HARDWICK LAW FIRM, LLC  
Kansas City, Missouri

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## **OFFICIAL STATEMENT**

### **CITY OF KANSAS CITY, MISSOURI**

**\$57,020,000**

### **Subordinated Taxable Airport Improvement and Refunding Bonds (Consolidated Rental Car Facility Project) Series 2005C**

## **INTRODUCTION**

*This introduction is only a brief description and summary of certain information contained in this Official Statement and is qualified in its entirety by reference to the more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement.*

### **Purpose of the Official Statement**

The purpose of this Official Statement is to furnish information relating to (1) the City of Kansas City, Missouri (the "City"), and (2) the City's Subordinated Taxable Airport Improvement and Refunding Bonds, Series 2005C (the "Bonds"), to be issued in the principal amount of \$57,020,000.

### **The City**

The City is a constitutional charter city and political subdivision of the State of Missouri. The City owns and operates a revenue-producing airport system serving the City and its inhabitants. See the caption "THE CITY" herein.

### **The Bonds**

The Bonds are being issued pursuant to the provisions of Section 27 of Article VI of the Constitution of the State of Missouri and the Charter of the City.

### **Authority for Issuance**

On August 2, 1988, the City held an election, at which election the qualified voters of the City approved the City's issuance of up to \$330,000,000 principal amount of airport revenue bonds to be payable solely from the revenues derived by the City from the operation of its airports, including all future improvements and extensions thereto, for the purpose of paying the cost of extending and improving the airports owned and operated by the City, including runways, terminal buildings and related facilities. On August 8, 2000, the voters approved an additional \$395,000,000 of airport revenue bonds for improvements at the airports. The City has issued \$319,815,000 of general airport revenue bonds under the 1988 authorization and \$86,955,000 under the 2000 authorization. Prior to the issuance of the Series 2005C Bonds, this leaves \$10,185,000 of the 1988 voted authorization and \$308,045,000 from the 2000 voted authorization. The new money portion, \$47,020,000, will use the balance of the 1988 voted authorization and \$36,835,000 of the 2000 voted authorization, leaving \$271,210,000 of 2000 voted authorization. The refunding portion will not require voted authorization. The City intends to issue the balance of the authorization in future financings.

### **Security and Source of Payment**

The Bonds will be special limited obligations of the City payable solely from the net income and revenues derived by the City from the operation of the City's airports after payment of costs of operation and maintenance, junior and subordinate to payments on the Outstanding Senior Bonds, described below, and from amounts in the respective bond reserve account for each series of Bonds. The City has outstanding six series of senior general

improvement airport revenue bonds in the aggregate outstanding principal amount as of March 1, 2005, of \$226,410,000 payable from the revenues of the City's airports as described in this Official Statement (the "Outstanding Senior Bonds"). The City has the right under the Bond Ordinance to issue additional bonds on a parity with the Outstanding Senior Bonds payable from the same sources and secured by the same revenues as the Outstanding Senior Bonds, but only in accordance with and subject to the terms and conditions set forth in the Bond Ordinance and to issue additional Bonds on a parity with the Bonds. The taxing power of the City is not pledged to the payment of the Bonds or the interest thereon. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

### **Bond Insurance**

MBIA Insurance Corporation (the "Bond Insurer") has committed to issue, effective on the date of initial delivery of the Bonds, its municipal bond new issue insurance policy (the "Bond Insurance Policy") which will guarantee, when due, the payment of the principal of and interest on the Bonds at the stated maturity thereof or upon mandatory sinking fund redemption. The Bond Insurance Policy extends for the term of the Bonds and cannot be canceled by the Bond Insurer. Payment under the Bond Insurance Policy is subject to the conditions described under the caption "BOND INSURANCE POLICY." No representation is made by the City or the Underwriters as to the accuracy, completeness or adequacy of the information respecting the Bond Insurer or its policy contained herein or as to the absence of material adverse changes in such information or in the condition of the Bond Insurer subsequent to the date hereof. See the information under the heading "BONDHOLDERS' RISKS - Bond Insurance" herein.

### **Financial Statements**

Audited financial statements of the City's Airports Fund, as of and for the fiscal years ended April 30, 2003, and 2004, are included in the Comprehensive Annual Financial Report included as *Appendix F* to this Official Statement. These financial statements have been audited by KPMG LLP, Kansas City, Missouri, certified public accountants, to the extent and for the periods indicated in their report which is also included in *Appendix F* hereto. The City did not ask KPMG LLP to perform any additional work or any post audit procedures more recently than the April 30, 2004, audit with respect thereto.

### **Bondholders' Risks**

Payment of the principal of and interest on the Bonds is dependent on revenues to be derived by the City from the operation of the City's airports. Certain risks inherent in the production of such revenues are discussed herein. See the caption "BONDHOLDERS' RISKS" herein.

### **Summary of the Bond Ordinance**

A summary of the Bond Ordinance, including definitions of certain words and terms used herein and in the Bond Ordinance, is included in *Appendix A* to this Official Statement. Such summary and definitions do not purport to be comprehensive or definitive. All references herein to the Bond Ordinance are qualified in their entirety by reference to the Bond Ordinance.

### **Continuing Disclosure**

The City will undertake pursuant to a Continuing Disclosure Agreement, to provide certain annual financial information and notices of the occurrence of certain material events. The form of the Continuing Disclosure Agreement is set forth in *Appendix D* to this Official Statement. To the best of its knowledge, the City has never failed to comply in all material respects with any previous undertaking by the City to provide certain annual

financial information and notices of occurrence of certain material events to Bondholders pursuant to its continuing disclosure agreements.

## **THE CITY**

The City was incorporated on June 3, 1850. The City is the central city of a fifteen-county Metropolitan Statistical Area (MSA), which includes Bates, Caldwell, Cass, Clay, Jackson, Platte, Clinton, Lafayette and Ray counties in the State of Missouri and Johnson, Franklin, Linn, Wyandotte, Leavenworth and Miami counties in the State of Kansas. The City is situated at the confluence of the Kansas and Missouri rivers on Interstate Highways I-29, I-35 and I-70. According to the City Planning and Development Department, the 2004 population estimates of the City and the Kansas City MSA are 443,292 and 1,926,959, respectively.

The City is governed by the City Council, which determines City policy and oversees City affairs. The City Council is composed of the Mayor and 12 other elected members. The Mayor and six of the Council Members are elected at large and six Council Members are elected by the residents of their districts. All are elected to four-year terms, which begin at the same time, and the Council Members may serve two consecutive terms. The City Council appoints the City Manager, who is responsible for carrying out the policies determined by the Council. Wayne Cauthen, the current City Manager, held this position since March 31, 2003.

## **PLAN OF FINANCING**

### **General**

The proceeds of the Bonds will be used to provide funds (a) to pay a portion of the costs of the Consolidated Rental Car Facility Project, (b) to refund the Series 2000 Bonds, and (c) to pay the costs of issuing the Bonds, including payment of the bond insurance and surety policy premiums, as described herein.

### **Consolidated Rental Car Facility Project**

The Consolidated Rental Car Facility will facilitate the operations of rental car companies located on the premises of Kansas City International Airport. Initially, the 3.3 million square foot facility will consolidate the locations of eight existing on-airport rental car companies, one off-airport rental car company, and one new rental car company. All on and off airport car rental customers will be transported via a common bus from the terminals to a centrally located, 85,219 square foot customer facility building located less than one mile from all airport terminals. The facility also includes eleven rental car company operational support buildings and provides adequate space for ready/return rental car parking areas. Estimated total cost of the facility is \$88,620,000, which will be paid from Bond proceeds and other Airport funds.

Construction is scheduled to begin in early April 2005 and be completed by December 2006.

### **Refunding of Series 2000 Bonds**

The City issued \$10,000,000 City of Kansas City, Missouri, Subordinated Taxable Airport Revenue Bond (Consolidated Airport Rental Car Facility Project) Series 2000 (the "Series 2000 Bonds") to fund certain developmental costs associated with the Consolidated Rental Car Facility. The Series 2000 Bonds, outstanding in the aggregate principal amount of \$10,000,000, were purchased by the City, and are subject to redemption at par at any time. The Series 2000 Bonds will be retired from proceeds of the Bonds on the closing date.

## Sources and Uses of Funds

The following is a summary of the estimated sources of funds and the uses of such funds in connection with the plan of financing for the Project.

### Sources of Funds:

Principal amount of the Series 2005C Bonds	\$57,020,000.00
Accrued Interest	104,299.18
Net Original Issue Discount	<u>(117,329.40)</u>
Total sources of funds	\$57,006,969.78

### Use of Funds:

Retiring of Series 2000 Bonds	\$10,000,000.00
Payment of Project Costs	46,024,446.55
Accrued Interest	104,299.18
Cost of Issuance <sup>(1)</sup>	<u>878,224.05</u>
Total uses of funds:	\$57,006,969.78

<sup>(1)</sup> Includes underwriter's discount, the Bond Insurance premium and the Reserve Policy premium.

## THE BONDS

### General Description

The Bonds will be dated as of April 1, 2005, and will be issued in book-entry form with a single global bond certificate for each series and maturity. Interest on the Bonds will be payable September 1, 2005 and semiannually thereafter each March 1 and September 1, to the owners of record on the close of business on the fifteenth calendar day (whether or not a business day) of the calendar month next preceding the applicable interest payment date ("Record Date"). Principal of and interest on the Bonds will be paid as described under the caption "Bondowner Payments." Bonds will mature in the amounts and on the dates shown on the cover page of this Official Statement. Wells Fargo Bank, N.A., Kansas City, Missouri, has been appointed to act as paying agent and Paying Agent for the Bonds (the "Paying Agent").

### Book-Entry Only System

The information provided immediately below concerning DTC and the Book-Entry Only System, as it currently exists, has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriter or the City.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform



Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC’s participants (“**Direct Participants**”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“**DTCC**”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“**Indirect Participants**”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“**Beneficial Owner**”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. nor any other DTC nominee will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal of, premium, if any, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide, subject to the requirements of the Operational Arrangements of DTC, to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

*None of the City, the Underwriter nor the Paying Agent will have any responsibility or obligations to any Direct Participants or Indirect Participants or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or any such Direct Participant or Indirect Participant; (ii) the payment by any Participant of any amount due to any Beneficial Owner in respect of the principal of, premium, if any, or interest on the Bonds; (iii) the delivery by any such Direct Participant or Indirect Participant of any notice to any Beneficial Owner that is required or permitted under the terms of the Indenture to be given to bondowners; (iv) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Bonds, or (v) any consent given or other action taken by DTC as bondowner.*

#### **Bondowner Payments**

Principal and interest on the Bonds are to be paid by the Office of the Director of Finance of the City to Wells Fargo Bank, N.A., as the Paying Agent (the "Paying Agent"). The Paying Agent will transfer any such payments to the Depository for its nominee as registered owner of the Bonds on behalf of the Bondholders. Transfer of such payments to the Participants is the responsibility of the Depository. Transfer of such payments to Bondholders is the responsibility of the Participants.

## **Replacement Bonds**

The Depository will designate the Bonds as eligible securities under its by-laws and rules. Accordingly, the Bond Ordinance provides for the issuance of Bond certificates ("Replacement Bonds") directly to Bondholders, but only in the event the Depository shall resign or discontinue its services for the Bonds and, only if the City is unable to locate a qualified successor within two months following the resignation or determination of non-eligibility or the City determines that the interest of the Bondholders might be adversely affected if the book entry system of transfer is continued. In the event that a successor depository is unavailable, and upon the failure of a suitable replacement qualified to so act, the Paying Agent will issue and authenticate Replacement Bonds in certificated form. In such event, interest on the Replacement Bonds will be payable by check or draft mailed to each Bondowner by the Paying Agent, and the payment of principal of the Replacement Bonds will be paid upon presentment thereof to the Paying Agent.

## **Optional Redemption**

The Bonds maturing on and after September 1, 2016, are subject to redemption prior to maturity, at the option of the City, in whole or in part, on any Interest Payment Date on or after September 1, 2015, at the principal amount thereof plus accrued interest to the redemption date, without premium.

In the case of a partial redemption of Bonds of the same maturity, the Bonds to be redeemed shall be selected by the Paying Agent from the outstanding Bonds of that stated maturity by such random allocation method as the Paying Agent shall deem fair and appropriate and which may provide for the selection for redemption of portions of the principal of outstanding Bonds of that stated maturity that have been issued in a denomination larger than \$5,000. The portions of the principal of outstanding Bonds so selected for partial redemption shall be equal to \$5,000 or integral multiples thereof.

## **Notice of Redemption**

Notice of the redemption of any Bonds shall be given by first class mail to the registered holders thereof at their addresses appearing in the Bond Register. In the event of a redemption, notice of redemption shall be given not less than 30 days prior to the redemption date. The Paying Agent shall use its best efforts to deliver any such notice to the Depository on the business day next preceding the date of mailing of such notice. Any notices of redemption shall be in the possession of the Depository no less than thirty days before the date fixed for redemption. Any failure of the Depository to mail such notice to any Participant shall not affect the validity of the redemption of Bonds.

The City can make no assurances that the Depository, Participants or other nominees of the Bondholders will distribute such redemption notices to the Bondholders, or that they will do so on a timely basis, nor that the Depository will act in the manner described in this Official Statement. The rules and procedures of the Depository do, however, require the Depository to act in the foregoing manner.

## **SECURITY AND SOURCES OF PAYMENT FOR THE BONDS**

The Bonds are payable solely from revenues derived and to be derived by the City from the operation of the City's airports including Kansas City International Airport, Kansas City Downtown Airport and any other airport now or hereafter owned and operated by the City (collectively, the "Airports"). The City has issued and has outstanding the six additional series of revenue bonds payable out of the revenues derived from the operation of the Airports and deposited in the Kansas City Airports Fund:

	Principal Amount Original <u>Principal Amount</u>	Outstanding as of <u>March 1, 2005</u>
Series 1995	\$ 41,020,000	\$ 25,285,000
Series 1997A	29,495,000	29,495,000
Series 1999A	35,260,000	15,785,000
Series 2003A	76,955,000	76,955,000
Series 2003B	53,055,000	53,055,000
Series 2004E	25,835,000	25,835,000

The Series 1995, 1997A, 1999A, 2003A, 2003B and 2004E Bonds are secured by a first lien on the Revenues derived from the operation of the Airports and deposited in the Kansas City Airports Fund (the "Outstanding Senior Bonds"). The Bonds are *junior and subordinate* with respect to the payment of principal, premium, if any, and interest from the Revenues derived by the City from the operation of the Airports and in all other respects to the Outstanding Senior Bonds (the "Junior Lien Bonds"). See "THE CITY'S AIRPORTS – Outstanding General Improvement Airport Revenue Bonds."

THE BONDS WILL NOT BE OR CONSTITUTE A GENERAL OBLIGATION OF THE CITY, NOR WILL THEY CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL, STATUTORY OR CHARTER PROVISION, LIMITATION OR RESTRICTION.

#### **Rate Covenant**

The City has covenanted in the Bond Ordinance that it will fix, establish, maintain and collect such reasonable rentals, rates, fees and charges for the use and occupancy of the Airports and of the services and facilities thereof as will produce revenues sufficient to pay the reasonable cost of operation and maintenance of the Airports, and to pay the principal of and interest on the Bonds as and when the same become due and to provide funds to meet all of the requirements of the Bond Ordinance.

#### **Customer Facility Charges**

A Customer Facility Charge ("CFC") of \$3 per transaction day on rental cars was implemented on January 1, 2001, to fund the debt service on bonds issued to finance the Consolidated Rental Car Facility. On December 15, 2000, the City issued the Series 2000 Bonds to pay for the preliminary design and engineering of the Consolidated Rental Car Facility.

The following table shows the collections of the Customer Facility Charges for the years indicated:

<u>Fiscal Year</u> <u>Ending April 30</u>	<u>CFC Revenue</u>
2001	\$ 1,776,234
2002	6,186,432
2003	5,792,046
2004	5,886,929
2005 (Through November 30, 2004)	3,800,000 *

\* Unaudited.

Revenues from the CFC are general revenues of the Airport System. The Ordinance provides that after all payments are made on the Outstanding Senior Bonds, the Subordinated Bond Principal and Interest Account and Subordinated Bond Reserve Account will be funded from Revenues of the System.

## **Additional Bonds**

**Senior Bonds.** The City covenants and agrees that so long as any of the Senior Bonds remain Outstanding, it will not issue any additional General Improvement Airport Revenue Bonds or other obligations which stand on a parity or equality with the Outstanding Senior Bonds except in accordance with the following conditions and provisions:

(a) There shall be no default by the City in the payment of any sums required at the time to be paid by the City under the provisions of Section 5.4 of the Ordinance.

(b) The Airport Consultant shall give its written approval of the issuance of such additional parity bonds and a copy of such approval shall be mailed promptly by the City to the manager of the underwriting group purchasing the additional senior bonds.

(c) The net revenues derived by the City from the operation of its Airports, as said net revenues are hereinafter in this paragraph defined, for a period of 12 consecutive months out of the last 15 months immediately preceding the date on which the Council shall find and declare it advisable to issue additional revenue bonds,

(i) for so long as any of the Series 1995 Bonds and the Series 1997A Bonds remain Outstanding, (A) shall have been not less than one and thirty-five hundredths (1.35) times the average annual fiscal year requirements for principal and interest on all general improvement airport revenue bonds of the City then outstanding, and shall also be sufficient to provide at least one times coverage of the City's obligations with respect to Policy Costs due and owing, if any, and (B) said net revenues for the period aforesaid when added to the estimated annual net revenues of the facilities to be constructed or acquired with the proceeds of the additional revenue bonds proposed to be issued, for the first full year of operation of said facilities, shall equal not less than one and thirty-five hundredths (1.35) times the average annual fiscal year debt service requirements for principal and interest on all general improvement airport revenue bonds of the City then outstanding and also on the additional parity bonds proposed to be issued, and shall also be sufficient to provide at least one times coverage of the City's obligations with respect to Policy Costs due and owing, if any, said estimate to be made by the Airport Consultant and a copy thereof to be sent promptly by the Airport Consultant to the manager of the underwriting group purchasing the Bonds herein authorized.

(ii) for so long as any of the Series 1999A Bonds, the Series 2003A Bonds, the Series 2003B Bonds and the Series 2004E Bonds remain Outstanding, (A) shall have been not less than one and twenty-five hundredths (1.25) times the average annual fiscal year requirements for principal and interest on all general improvement airport revenue bonds of the City then outstanding, and shall also be sufficient to provide at least one times coverage of the City's obligations with respect to Policy Costs due and owing, if any, and (B) said net revenues for the period aforesaid when added to the estimated annual net revenues of the facilities to be constructed or acquired with the proceeds of the additional revenue bonds proposed to be issued, for the first full year of operation of said facilities, shall equal not less than one and twenty-five hundredths (1.25) times the average annual fiscal year debt service requirements for principal and interest on all general improvement airport revenue bonds of the City then outstanding and also on the additional parity bonds proposed to be issued, and shall also be sufficient to provide at least one times coverage of the City's obligations with respect to Policy Costs due and owing, if any, said estimate to be made by the Airport

Consultant and a copy thereof to be sent promptly by the Airport Consultant to the manager of the underwriting group purchasing the Bonds herein authorized.

(d) In addition to meeting the requirements of either Subsection (c)(i) or (c)(ii) above, the net revenues derived by the City from the operation of its Airports, as said net revenues are hereinafter in this paragraph defined, for a period of 12 consecutive months out of the last 15 months immediately preceding the date on which the Council shall find and declare it advisable to issue additional revenue bonds, when added to the estimated annual net revenues of the facilities to be constructed or acquired with the proceeds of the additional revenue bonds proposed to be issued, for the first full year of operation of said facilities, shall have been not less than one and ten hundredths (1.10) times the average annual fiscal year debt service requirements for principal and interest on all general improvement airport revenue bonds of the City then outstanding (including all subordinate bonds) and also on the additional parity bonds proposed to be issued, said estimate to be made by the Airport Consultant and a copy thereof to be sent promptly by the Airport Consultant to the manager of the underwriting group purchasing the additional subordinate Bonds herein authorized.

The average annual debt service requirements for principal and interest on the City's outstanding general improvement airport revenue bonds and on the additional bonds to be issued shall be calculated by dividing the aggregate debt service requirements on the City's outstanding general improvement airport revenue bonds and on the additional bonds to be issued, by the number of years remaining until the last of such bonds matures. The term "net revenues" for the purposes of this paragraph (c) shall be construed as gross revenues less only the reasonable expenses of operation, maintenance and repair of the Airports, but before any other payments or charges. For the purpose of calculating the average annual fiscal year debt service requirements on all of the City's outstanding general improvement airport revenue bonds as required by the tests in subsection (c)(i) and (c)(ii), payments of principal and interest on all of the City's outstanding general improvement airport revenue bonds that will be junior and subordinate to the Outstanding Senior Bonds, if any, shall be excluded. If the City shall issue additional General Improvement Airport Revenue Bonds for the purposes aforesaid, the rentals, fees and charges derived by the City from the general facilities constructed or acquired with the proceeds of such additional revenue bonds shall accrue and be paid and credited to the Kansas City Airports Fund.

Additional General Improvement Airport Revenue Bonds of the City issued in conformity with the conditions specified in this Article shall stand on a parity with the Outstanding Senior Bonds and shall enjoy complete equality of lien on and claim against the Revenues of the Airports with the Outstanding Senior Bonds and the City may make equal provision for paying said bonds and the interest thereon out of moneys in the Kansas City Airports Fund and may likewise provide for the creation of appropriate Interest and Principal Accounts and Bond Reserve Accounts for the payment and security of such additional bonds and the interest thereon out of moneys in the Kansas City Airports Fund.

**Additional Subordinate Bonds.** The City covenants and agrees that so long as any of the Bonds remain Outstanding, it will not issue any additional General Improvement Airport Revenue Bonds or other obligations which stand on a parity or equality with the Bonds except in accordance with the following conditions and provisions:

(a) There shall be no default by the City in the payment of any sums required at the time to be paid by the City under the provisions of Section 5.4 or Section 5.5 of the Ordinance.

(b) The City shall not be in default in the performance of any other covenant or agreement contained in the Ordinance

(c) The Airport Consultant shall give its written approval of the issuance of such additional parity bonds and a copy of such approval shall be mailed promptly by the City to the manager of the underwriting group purchasing the additional subordinate Bonds.

(d) For so long as any of the Series 2005C Bonds remain Outstanding, the net revenues derived by the City from the operation of its Airports, as said net revenues are hereinafter in this paragraph defined, for a period of 12 consecutive months out of the last 15 months immediately preceding the date on which the Council shall find and declare it advisable to issue additional revenue bonds, when added to the estimated annual net revenues of the facilities to be constructed or acquired with the proceeds of the additional revenue bonds proposed to be issued, for the first full year of operation of said facilities, shall equal not less than one and ten hundredths (1.10) times the average annual fiscal year debt service requirements for principal and interest on all general improvement airport revenue bonds of the City then outstanding (including all subordinate bonds standing on a parity with the Bonds) and also on the additional parity bonds proposed to be issued, and shall also be sufficient to provide at least one times coverage of the City's obligations with respect to Policy Costs due and owing, if any, said estimate to be made by the Airport Consultant and a copy thereof to be sent promptly by the Airport Consultant to the manager of the underwriting group purchasing the additional subordinate Bonds herein authorized.

The average annual debt service requirements for principal and interest on the City's outstanding general improvement airport revenue bonds and on the additional bonds to be issued shall be calculated by dividing the aggregate debt service requirements on the City's outstanding general improvement airport revenue bonds and on the additional bonds to be issued, by the number of years remaining until the last of such bonds matures. The term "net revenues" for the purposes of this paragraph (c) shall be construed as gross revenues less only the reasonable expenses of operation, maintenance and repair of the Airports, but before any other payments or charges. For the purpose of calculating the average annual fiscal year debt service requirements on all of the City's outstanding general improvement airport revenue bonds as required by the tests in this section, payments of principal and interest on all of the City's outstanding general improvement airport revenue bonds that will be junior and subordinate to the Outstanding Senior Bonds, if any, shall be included. If the City shall issue additional General Improvement Airport Revenue Bonds for the purposes aforesaid, the rentals, fees and charges derived by the City from the general facilities constructed or acquired with the proceeds of such additional revenue bonds shall accrue and be paid and credited to the Kansas City Airports Fund.

In the event of the issuance of any such junior and subordinate revenue bonds or obligations of the City in conformity with the provisions aforesaid, the City, subject to the provisions aforesaid, may make provision for paying the principal of and interest on said revenue bonds or obligations as the same become due out of any available moneys in the Kansas City Airports Fund, provided, however, that the City shall have made all payments and credits at the time required to be made and credited by it under the provisions of the Senior Bond Ordinances.

#### **Bond Reserve Accounts**

The City has established a Reserve Account for the payment of the principal of and interest on its bonds. A Reserve Account was also established for the payment of the Series 1995 Bonds, which fund secures only payment of the Series 1995 Bonds (and not the Bonds) and is currently funded in the maximum amount therefor of \$4,400,000. A reserve account was established for payment of the Series 1997A Bonds, which fund secures only payment of the Series 1997A Bonds (and not the Bonds). The Series 1997 reserve account is currently funded in the maximum amount therefor of \$2,949,500. A reserve account was also established for payment of the Series 1999A Bonds, which fund secures only payment of the Series 1999A Bonds (and not the Bonds). The balance in the Series 1999A reserve account is funded in the maximum amount therefor of \$3,526,000. The debt service

reserve requirement for the Series 2003A Bonds, the Series 2003B Bonds and the Series 2004E Bonds was satisfied by the deposit of a municipal bond debt service reserve fund policy issued by the Financial Guaranty Insurance Company.

The Reserve Account for each series of the bonds will be used to prevent any default in the payment of interest and principal on such series of the bonds as they become due if amounts in the Principal and Interest Account for such series of the bonds are inadequate to meet debt service requirements of such series of the bonds.

The debt service reserve requirement may be satisfied by deposits in cash, Permitted Investments, or an insurance policy, letter of credit or surety bond issued by a qualified financial institution guaranteeing payments into each respective Reserve Account in the amount of the Maximum Bond Reserve Amount in accordance with the requirements of the applicable Bond Ordinance. In lieu of a cash deposit, the City has decided to satisfy the Maximum Bond Reserve Amount for the Bonds by the deposit of a municipal bond debt service reserve fund policy issued by the MBIA Insurance Corporation in its capacity as the Surety Bond Provider (the "Surety Bond Provider").

#### **Debt Service Reserve Fund Policy**

The following information has been furnished by the Surety Bond Provider for use in this Official Statement. Reference is made to *Appendix B* for a specimen of the Reserve Policy.

Application has been made to the Surety Bond Provider for a commitment to issue a surety bond (the "Debt Service Reserve Fund Surety Bond"). The Debt Service Reserve Fund Surety Bond will provide that upon notice from the Paying Agent to the Surety Bond Provider to the effect that insufficient amounts are on deposit in the Subordinated Principal and Interest Account to pay the principal of (at maturity or pursuant to mandatory redemption requirements) and interest on the Bonds, the Surety Bond Provider will promptly deposit with the Paying Agent an amount sufficient to pay the principal of and interest on the Bonds or the available amount of the Debt Service Reserve Fund Surety Bond, whichever is less. Upon the later (i) three (3) days after receipt by the Surety Bond Provider of a Demand for Payment in the form attached to the Debt Service Reserve Fund Surety Bond, duly executed by the Paying Agent; or (ii) the payment date of the Bonds as specified in the Demand for Payment presented by the Paying Agent to the Surety Bond Provider, the Surety Bond Provider will make a deposit of funds in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment to the Paying Agent, of amounts which are then due to the Paying Agent (as specified in the Demand for Payment) subject to the Surety Bond Coverage.

The available amount of the Debt Service Reserve Fund Surety Bond is the initial face amount of the Debt Service Reserve Fund Surety Bond less the amount of any previous deposits by the Surety Bond Provider with the Paying Agent which have not been reimbursed by the City. The City and the Surety Bond Provider have entered into a Financial Guaranty Agreement relating to the Bonds (the "Agreement"). Pursuant to the Agreement, the City is required to reimburse the Surety Bond Provider, within one year of any deposit, the amount of such deposit made by the Surety Bond Provider with the Paying Agent under the Debt Service Reserve Fund Surety Bond. Such reimbursement shall be made only after the City has (1) made provision for the reasonably and proper expenses of operating and maintaining the Airports for the current month, (2) paid all amounts required to be deposited in the Airlines Operation and Maintenance Account, (3) made all required deposits to the principal and interest accounts and the reserve accounts for the Outstanding Senior Bonds and (4) made all required deposits to the Subordinated Principal and Interest Account.

Under the terms of the Agreement, the Paying Agent is required to reimburse the Surety Bond Provider, with interest, until the face amount of the Debt Service Reserve Fund Surety Bond is reinstated before any deposit is made to the General Fund. No optional redemption of the Bonds may be made until the Surety Bond Provider's Debt Service Reserve Fund Surety Bond is reinstated. The Debt Service Reserve Fund Surety Bond will be held by the Paying Agent in the debt Service Reserve Fund and is provided as an alternative to the City depositing funds equal to the Debt Service Requirement for outstanding Bonds. The Debt Service Reserve Fund Surety Bond will



be issued in the amount equal to the Maximum Bond Reserve Amount for the Bonds and the premium therefore will be fully paid by the City at the time of delivery of the Bonds.

### **Bond Insurance**

The Bond Insurer has committed to issue, effective on the date of initial delivery of the Bonds, the Bond Insurance Policy which will insure, when due, the payment of the principal of and interest on the Bonds at the stated maturity thereof or upon mandatory sinking fund redemption. The Bond Insurance Policy extends for the term of the Bonds and cannot be canceled by the Bond Insurer. Payment under the Bond Insurance Policy is subject to the conditions described under “**BOND INSURANCE POLICY**” herein. No representation is made by the City or the Underwriters as to the accuracy, completeness or adequacy of the information respecting the Bond Insurer or the Bond Insurance Policy contained herein or as to the absence of material adverse changes in such information or in the condition of the Bond Insurer subsequent to the date hereof. See “**BONDHOLDERS' RISKS - Bond Insurance**” herein.

### **BOND INSURANCE POLICY**

*The following information has been furnished by the Bond Insurer for use in this Official Statement. Reference is made to Appendix B for a specimen of the Bond Insurance Policy.*

#### **The Bond Insurance Policy**

The Bond Insurer's policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the City to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the Bond Insurer's policy shall be made in such amounts and at such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Holder within the meaning of any applicable bankruptcy law (a “Preference”).

The Bond Insurer's policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bond. The Bond Insurer's policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of the Bonds upon tender by an Holder thereof; or (iv) any Preference relating to (i) through (iii) above. The Bond Insurer's policy also does not insure against nonpayment of principal of or interest on the Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Bond Insurer from the Paying Agent or any Holder of a Bond the payment of an insured amount for which is then due, that such required payment has not been made, the Bond Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the

payment of any such insured amounts which are then due. Upon presentment and surrender of such Bonds or presentment of such other proof of ownership of the Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Bonds as are paid by the Bond Insurer, and appropriate instruments to effect the appointment of the Bond Insurer as agent for such owners of the Bonds in any legal proceeding related to payment of insured amounts on the Bonds, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such Holders or the Paying Agent payment of the insured amounts due on such Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

### **Bond Insurer**

The Bond Insurer is the principal operating subsidiary of MBLA Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts of or claims against the Bond Insurer. The Bond Insurer is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. The Bond Insurer has three branches, one in the Republic of France, one in the Republic of Singapore and one in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by the Bond Insurer, changes in control and transactions among affiliates. Additionally, the Bond Insurer is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

The Bond Insurer does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Bond Insurer's policy and the Bond Insurer set forth under the Heading "BOND INSURANCE POLICY." Additionally, the Bond Insurer makes no representation regarding the Bonds or the advisability of investing in the Bonds.

The Bond Insurer's policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

### **Bond Insurer Information**

The following documents filed by the Company with the Securities and Exchange Commission (the "SEC") are incorporated herein by reference:

1. The Company's Annual Report on Form 10-K for the year ended December 31, 2003.
2. The Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004.

Any documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act of 1934, as amended, after the date of the Company's most recent Quarterly Report on Form 10Q, and prior to the termination of the offering of the Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or

supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2003, and (2) the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004, June 30, 2004, and September 30, 2004), are available (i) over the Internet at the SEC's web site at <http://www.sec.gov>; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at the Company's web site at <http://www.mbia.com>; and (iv) at no costs, upon request to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504. The telephone number of MBIA is (914) 273-4545.

As of December 31, 2003, the Bond Insurer had admitted assets of \$9.9 billion (unaudited), total liabilities of \$6.2 billion (unaudited), and total capital and surplus of \$3.7 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of September 31, 2004, the Bond Insurer had admitted assets of \$10.4 billion (unaudited), total liabilities of \$6.7 billion (unaudited), and total capital and surplus of \$3.7 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

#### **Financial Strength Ratings of the Bond Insurer**

Moody's Investors Service, Inc. rates the financial strength of the Bond Insurer "Aaa."

Standard & Poor's, a division of the McGraw-Hill Companies, Inc. rates the financial strength of the Bond Insurer "AAA."

Fitch Ratings rates the financial strength of the Bond Insurer "AAA."

Each rating of the Bond Insurer should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of the Bond Insurer and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds. The Bond Insurer does not guaranty the market price of the Bonds nor does it guaranty that the ratings on the Bonds will not be revised or withdrawn.

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## DEBT SERVICE REQUIREMENTS

The following table shows the debt service requirements for the Outstanding Senior Bonds and the Bonds.

Fiscal Year	Series 1995	Series 1997A	Series 1999A	Series 2003A	Series 2003B	Series 2004E	Series 2005C	Aggregate Debt Service
Ending	Bonds	Bonds	Bonds	Bonds	Bonds	Bonds	Bonds	
<u>30 April</u>								
2005	\$4,151,388	\$1,619,395	\$5,267,244	\$3,504,620	\$2,712,013	\$976,453		\$18,231,113
2006	4,142,144	1,619,395	5,283,619	3,504,620	2,712,013	1,861,963	\$2,647,596	21,771,350
2007	4,158,856	1,619,395	5,267,394	3,504,620	2,712,013	1,872,988	2,888,285	22,023,551
2008	4,188,700	1,619,395	5,253,700	3,504,620	2,712,013	1,884,538	5,827,910	24,990,876
2009	8,068,700	1,619,395	1,390,569	5,855,045	2,712,013	1,891,888	5,789,285	27,326,895
2010	9,448,475	1,711,878		5,856,726	2,712,013	1,885,087	5,759,535	27,373,714
2011		1,945,350		5,857,641	2,712,013	8,621,200	5,728,160	24,864,364
2012		1,946,620		5,856,180	2,712,013	8,619,863	5,709,535	24,844,211
2013		3,133,700		5,859,010	2,712,013	7,209,406	5,688,035	24,602,164
2014		14,317,775		5,856,660	2,712,013		5,668,285	28,554,733
2015		14,292,525		5,859,863	2,712,013		5,654,660	28,519,061
2016				5,855,371	16,316,300		5,646,410	27,818,081
2017				5,858,508	16,216,288		5,637,910	27,712,706
2018				5,857,808	16,139,050		5,630,597	27,627,455
2019				5,857,763	9,278,056		5,618,084	20,753,903
2020				5,857,660			5,606,197	11,463,857
2021				5,856,848			5,598,194	11,455,042
2022				5,855,643				5,855,643
2023				5,858,288				5,858,288
2024				5,859,008				5,859,008
2025				5,857,125				5,857,125
2026				5,858,130				5,858,130
2027				5,856,256				5,856,256
2028				<u>5,855,850</u>				<u>5,855,850</u>
Totals	\$34,158,263	\$45,444,823	\$22,462,526	\$131,163,860	\$87,781,837	\$34,823,386	\$85,098,677	\$ 440,933,375

The Series 1995, 1997A, 1999A Bonds, 2003A, 2003B and 2004E Bonds are secured by a first lien on and payable out of the Revenues derived from the operation of the Airports and deposited in the Kansas City Airports Fund. The Series 2005C Bonds, are *junior and subordinate* with respect to the payment of principal, premium, if any, and interest from the Revenues derived by the City from the operation of the Airports and in all other respects to the Outstanding Senior Bonds.

## **BONDHOLDERS' RISKS**

*The following is a discussion of certain risks that could affect payments to be made by the City with respect to the Bonds. Such discussion is not, and is not intended to be, exhaustive and should be read in conjunction with all other parts of this Official Statement and should not be considered as a complete description of all risks that could affect such payments. Prospective purchasers of the Bonds should analyze carefully the information contained in this Official Statement, including the Appendices hereto, and additional information in the form of the Bond Ordinance summarized herein and in Appendix A, copies of which are available as described herein.*

### **General**

The Bonds are limited obligations of the City payable by the City solely from revenues derived and to be derived by the City from the operation of the Airports. No representation or assurance can be given that the City will realize revenues in amounts sufficient to make such payments under the Bond Ordinance. The realization of future revenues is dependent upon, among other things, government regulations, the capabilities of the management of the City and future changes in economic and other conditions that are unpredictable and cannot be determined at this time.

No assurance can be given as to the levels of aviation activity which will be achieved at the Airport in future fiscal years. Future traffic at the Airport is sensitive to a variety of factors including: (1) the growth in the population and economy of the area served by the Airport, (2) national and international economic conditions, (3) air carrier economics and air fares, (4) the availability and price of aviation fuel, (5) air carrier service and route networks, (6) the capacity of the air traffic control system, and (7) the capacity of the Airport/airways system. Slow or negative traffic growth in many areas; increased competition among air carriers; consolidation and mergers among air carriers; increased fuel, labor, equipment and other costs; and increases in the requirements for and the cost of debt capital have combined recently to reduce profits materially or to cause losses for the air carriers.

### **Bond Insurance**

In the event the City fails to make payment of the principal of and interest on the Bonds when the same become due, any owner of Bonds shall have recourse against the Bond Insurer for such payments. However, the Bond Insurance Policy does not insure payment of the principal of or interest on the Bonds coming due by reason of acceleration or redemption (other than mandatory sinking fund redemption), nor does it insure the payment of any redemption premium payable upon the redemption of the Bonds. Under no circumstances, including the situation in which interest on the Bonds becomes subject to federal taxation for any reason, can the maturities of the Bonds be accelerated except with the consent of the Bond Insurer. In the event that the Bond Insurer is unable to make payments of principal and interest on the Bonds as such payments become due, the Bonds are payable solely from moneys in the City's Airports Fund. See the caption "BOND INSURANCE POLICY" for further information concerning the Bond Insurer and the Bond Insurance Policy.

### **Uncertainties of the Aviation Industry**

The City's ability to derive its Revenues primarily from the operation of MCI, the City's principal airport serving the Kansas City air service area, depends in part upon the financial health of the airline industry. The uncertainty created by the September 11, 2001 events, discussed in more detail below, created a critical outlook for the airline industry. Despite receiving \$15 billion in aid from the federal government, the industry's focus is on urgent matters relating to loss reduction, security and the financial stabilization of the airlines. Most of the major U.S. carriers have responded by implementing a variety of cost-cutting measures, including massive layoffs. Growing competition from low-cost, low fare carriers have forced many of the network carriers to implement route rationalization, including route transfers to their regional/commuter partners, reduction in service to certain markets, and the elimination of service to markets that are deemed unprofitable. There have also been payroll cuts and deferment in the acquisition of new aircraft equipment. In addition, the mainline carriers have shown

increasing flexibility in fare adjustments in the face of discount fares offering by low fare carriers. Despite these measures, at least three airlines, including Vanguard, US Airways and United, have been forced to petition for bankruptcy court protection because of unsustainable huge financial losses. There is no assurance that further bankruptcy filings and major restructurings by airlines will not occur.

In July 2002, Vanguard Airlines, which had a 12.6% market share at MCI during the seven-month period of January through July 2002, filed for Chapter 11 bankruptcy court protection and stopped all operations at MCI. Vanguard Airlines, which was headquartered in Kansas City, laid off most of its 1,100 employees. After several unsuccessful attempts to locate a new investor, Vanguard announced that it would begin liquidation of its assets in October 2002. Liquidation of the airline has been completed. MCI has settled its administrative claim with the airline, as well as the bankruptcy estate's preference claim against MCI.

On September 12, 2004, US Airways Group and certain of its subsidiaries filed their second voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in two years. US Airways has not ceased its operations at MCI. To date, US Airways has not filed a plan of reorganization.

United Airlines sought Chapter 11 bankruptcy protection on December 9, 2002. Like US Airways, United has not ceased operations at MCI. United Airlines expects to emerge from Chapter 11 bankruptcy protection in fall 2005. To date, the Chapter 11 filing has had no noticeable impact on MCI.

Although MCI is primarily an origin and destination ("O&D") airport and is less dependent upon hubbing activity than some other major airports, the financial strength and stability of airlines serving MCI are among the determinants of future airline traffic, and individual airline decisions regarding levels of service, including hubbing activity, at MCI may affect total enplanements. No assurance can be given as to the levels of aviation activity that will be achieved at MCI.

This Official Statement does not contain financial information about any airline or construction contractor or about any entity other than the City. As a result, in making an investment decision with respect to the Bonds, a potential purchaser can have no assurance, based upon the information contained herein, that any entity will be capable of meeting its responsibilities or will perform as expected.

There is no assurance that MCI, despite a demonstrated level of airline service and operations, will continue to maintain such levels in the future. The continued presence of the airlines serving MCI, and the levels at which that service will be provided, are a function of a variety of factors. Future airline traffic at MCI will be affected by, among other things, the growth in the population and the economy of the primary air service area served by MCI and by national and international economic and political conditions, federal and state regulatory actions, airline service, competition and routes, air fare levels, availability and price of aviation fuel, the capacity of facilities at MCI and the operation and capacity of the air traffic control system.

### **Impact of Terrorist Attacks on the Airline Industry and MCI**

On September 11, 2001, terrorists seized control of four U.S. commercial passenger flights, crashing two aircraft into the World Trade Center in New York City, one aircraft into the Pentagon in Arlington, Virginia and one aircraft in Somerset, Pennsylvania (the "Terrorist Attacks"). These catastrophic events caused the complete shut-down of the United States aviation system for two days. One of the legacies of the period following the September 11, 2001, events is the reduced propensity to fly by both business and leisure travelers. According to the FAA, one of the contributing factors is the increase in security-related processing time and cost in the period following the September 11, 2001, events. Longer wait and processing times at airports have reduced the advantages of air travel over other modes of transportation especially to short haul destinations. Industry experts expect a shift in the mix of markets toward long haul as travelers to short-haul markets increase their use of alternative transportation modes. In addition, business demand for air travel has become more price-sensitive due to the availability of substitutes such as videoconferencing and the fractional ownership of corporate aircraft. It is

uncertain if these trends will persist over the long-term. Any such reduction in the demand for air travel may adversely affect the level of Airport Revenues available to pay debt service on the Bonds.

The reduction in airline clientele resulting in the aftermath of the Terrorist Attacks, coupled with the aforementioned cessation of air travel immediately thereafter, has resulted in the majority of major airline carriers experiencing severe financial difficulties. To help mitigate this situation, the federal government enacted legislation providing the airline industry with approximately \$5 billion in grants and \$10 billion in loan guarantees. This effort helped to diminish the financial hardships, but could not prevent industry-wide layoffs and a reduction in the number of flights offered by major airlines. Certain airlines have warned that they may still have to declare bankruptcy if air travel remains depressed and increased costs cannot be contained. In addition, many airlines have had their credit ratings downgraded by national credit rating agencies.

In light of the Terrorist Attacks, the Aviation and Transportation Security Act (the "Security Act") was enacted in November 2001. This legislation makes airport security the responsibility of the newly created Transportation Security Administration within the Department of the Treasury (the "TSA"). The measure calls for stronger cockpit doors on planes and an increased presence of armed federal marshals on flights. Federal mandates also require federal law enforcement officers be assigned to each passenger-screening checkpoint in the terminal buildings. Airports are allowed, however, to use state and local law enforcement to provide these services. At MCI, this mandate has been implemented by assigning Airport Police Division staff as well as off-duty Kansas City, Missouri Police Department officers to passenger screening checkpoints. The Kansas City Aviation Department's application and estimate of expenses have been approved by the TSA for reimbursement.

In addition, the new legislation requires the TSA to assume responsibility for passenger screening at airports. This was initially accomplished through the TSA assuming the existing contracts between the airlines and screening companies. Eventually, TSA employees will conduct passenger screening at most airports. The TSA is in the process of training and deploying screeners. The Security Act, however, provides that a limited number airports continue to be staffed with screeners from the private sector rather than federal employees. MCI applied to be and was selected to participate in this pilot program. The contract for passenger screening between the TSA and the selected private screening company will be managed and paid for by TSA. MCI expects, however, to have significant input into the planning and implementation of the contract. Beginning in 2004, the Security Act has also required all checked baggage to be screened by explosive detection devices. Since December 31, 2002, the TSA has been screening all checked baggage at MCI using 100% explosive detection systems.

Furthermore, as a result of more stringent airport perimeter security mandated by the TSA, parking within 300 feet of terminal buildings may be prohibited, unless vehicles parking within that area have been inspected. The stringency of airport perimeter security is dependent in part on the country's current threat level as measured by the Homeland Security Department's Homeland Security Advisory System. The Homeland Security Advisory System is a means to disseminate information regarding the risk of terrorist acts to federal, state and local authorities and to the American people. For example, if the country's threat level for terrorist acts is "Elevated" or on "yellow" alert status, the TSA would require only random searches of vehicles parking within 300 feet of the terminal buildings. Immediately after the Terrorist Attacks, *all* vehicles parking within 300 feet of the terminal buildings were searched. If the country's threat level for terrorist acts is increased to "High" or on "orange" alert status, or increased to "Severe" or on "red" alert status, more stringent perimeter security measures would likely be reinstated.

### **Bankruptcy Risks**

The rights of the owners of the Bonds and the enforceability of the City's obligation to make payments on the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights under existing law or under laws enacted in the future and may also be subject to the exercise of judicial discretion under certain circumstances. The opinions of Co-Bond Counsel and the City Attorney as to the enforceability of the City's obligations will be qualified as to bankruptcy and similar events and as to the

application of equitable principles and the exercise of judicial discretion in appropriate cases and to common law and statutes affecting the enforceability of contractual obligations generally and to principles of public policy concerning, affecting, or limiting the enforcement of rights or remedies against governmental entities such as the City.

The enforceability of the rights and remedies of the Bondholders and of the obligations of the City under the Bond Ordinance are subject to the United States Bankruptcy Code (the "Bankruptcy Code") and to other applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, to equitable principles that may limit the enforcement under Missouri law of certain remedies and to exercise by the United States of America of powers delegated to it by the United States Constitution.

In the unlikely case of severe fiscal distress the City may file for bankruptcy protection under Chapter 9 of the Bankruptcy Code. Should the City become the debtor in a bankruptcy case, the Bondholders may not have a lien on the Revenues derived from the operation of the Airports and received by the City after the commencement of the bankruptcy case unless either (a) the pledge of Revenues by the City constitutes a "statutory lien" within the meaning of the Bankruptcy Code or (b) the Revenues constitute "special revenues" within the meaning of the Bankruptcy Code. If Revenues derived from the operation of the Airports are not special revenues or if the Bondholders do not have a statutory lien on post-bankruptcy Revenues, delays or reductions in payments to the Bondholders may result. There may also be delays in payments to the Bondholders while a court considers these issues.

#### **Subordination Risk**

The Senior Bond Ordinances allow for additional bonds to be issued from time to time which would be senior to the Bonds. See **"SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Additional Bonds"** herein and **APPENDIX B – "SUMMARY OF CERTAIN PROVISIONS OF THE BOND ORDINANCE"** herein. The issuance of additional Senior Bonds could reduce the amount of Revenues available to pay debt service on the Bonds.

## **THE CITY'S AIRPORTS**

### **General**

Kansas City presently owns and operates Kansas City International Airport ("MCI") and the Charles B. Wheeler Downtown Airport (MKC) both of which are located within the city limits of Kansas City, Missouri. MCI is the principal airport serving the Kansas City air service area. MKC is a designated reliever airport for MCI and functions as one of the area's principal general aviation airports. MCI is located 18 miles north of the downtown Kansas City area and occupies approximately 10,423 acres. It is located adjacent to Interstate 29 and Interstate 435, providing convenient access to the metropolitan area. The land surrounding it in Platte County is zoned to maintain a compatible relationship between the airport and surrounding communities.

The general facilities at MCI consist of two north/south runways, one 10,801 feet long and the other 9,500 feet long, and an east/west runway 9,500 feet long. It has three terminal buildings providing 1,048,677 square feet of space, a large aircraft maintenance facility formerly operated by TWA, which has now been assigned and assumed by American Airlines, numerous support buildings such as equipment storage, cargo, post office, rental cars, hotel and a general aviation terminal, and more than 23,213 automobile parking spaces.

MKC opened in 1927 and served as the City's air carrier airport until 1972 when MCI opened. It is located adjacent to the downtown area on approximately 697 acres. The Missouri River forms three of its boundaries with the other being U.S. Highway 169.



MKC Airport is a primary reliever airport for MCI, serving the general aviation community with its two runways, one 7,000 feet long and oriented in a north/south direction and the other 5,052 feet long and oriented in a northeast/southwest direction. There are two fixed base operators at the airport providing hangar, tie-down, maintenance, training and fueling services. A college aircraft maintenance school and an historic aircraft restoration project also operate at MKC.

The Kansas City Aviation Department also owns approximately 1,690 acres located approximately 20 miles south of the downtown area along U.S. Highway 71 which was previously Richards-Gebaur Memorial Airport. In early January 2000, the airport was closed and the City leased a portion of the acreage to Kansas City Southern Railway to develop a train-truck intermodal facility. The lease proceeds from the former Richards-Gebaur Memorial Airport are not available for debt service and have been earmarked for use for the operation of MKC. Any revenues the City is receiving from the lease payments, however, are not being deposited in the Kansas City Airports Fund. The City does, however, pay some expenses for the property out of available moneys in the Kansas City Airports Fund, but which are not material.

Mark VanLoh has served as Director of Aviation since June 1, 2004. Mr. VanLoh has 19 years experience in the aviation industry including serving as president and chief executive officer of the Chattanooga Metropolitan Airport Authority and commissioner of airports for Cleveland, Ohio.

#### **Airport Improvement Program**

The City, through its Aviation Department, has an ongoing major maintenance and capital improvement program for its two airports. The program is designed to ensure the continued availability of existing facilities and to develop improvements necessary to meet the increasing air travel demands of the region. Identification of maintenance projects comes from periodic reviews of facilities, field reports and a deferred maintenance schedule. Funding for these projects primarily comes from accumulated airport revenues and federal grants. MCI maintenance projects also are funded through the airport master planning process for each airport which typically examines a 20-year planning cycle. Capital projects also are identified through a review of the ability of specific areas to meet public demand levels for these facilities. Funding for capital improvement projects generally comes from accumulated airport revenues, federal grants and the issuance of bonds. The estimated costs of the capital improvement program anticipated to be funded for the City's fiscal years 2005 through 2012 for the City's two airports and Richards-Gebaur is approximately \$526.6 million and is anticipated to be funded by grants, PFCs, Aviation Department funds, CFCs, the Bonds and other funds, which include Transportation Security Administration funds for security-related terminal projects, special facility bonds for improvements to the aircraft overhaul facility, and funds to be applied from the Deferred Maintenance Reserve Fund.

The current major maintenance program for MCI consists of several airfield, building and roadway projects. Typical projects include airfield pavement repair and rehabilitation, terminal structural repairs and bridge deck replacement.

### **Outstanding General Improvement Airport Revenue Bonds**

The City has issued six series of Outstanding Senior Bonds which remain Outstanding in the aggregate principal amount as of March 1, 2005, of \$226,410,000 all of which are senior to the Bonds and payable out of the Revenues derived from the operation of the Airports and deposited in the Kansas City Airports Fund.

Prior to the issuance of the Bonds, the City also has outstanding \$10,000,000 Subordinated Taxable Airport Revenue Bonds (Consolidated Airport Rental Car Facility), Series 2000, which will be refunded from a portion of the proceeds of the Bonds. The Series 2000 Bonds were issued for the purpose of paying a portion of the costs of acquisition, construction and equipping of a consolidated rental car facility and related maintenance and parking facilities and other facilities or equipment necessary to transport customers from the Kansas City International Airport Terminal to and from the consolidated rental car facility. Generally, the Junior Lien Bonds are payable solely from the Revenues derived from the operation of the Airports *after* payment of costs of operation and maintenance and *after* payment of debt service on the Outstanding Senior Bonds. The Junior Lien Bonds are *junior and subordinate* with respect to the payment of principal, premium, if any, and interest from the Revenues derived by the City from the operation of the Airports and in all other respects to the Outstanding Senior Bonds. See "Application of Moneys in Fund and Accounts" in *Appendix B* herein.

### **Passenger Facility Charge Revenue Bonds**

In 2001, the City issued \$140,000,000 Passenger Facility Charge Revenue Bonds, Series 2001 for the purpose of paying a portion of the costs of the design and construction of terminal improvements at MCI (the "Series 2001 Bonds"). The Series 2001 Bonds are not payable out of the Revenues derived from the operation of the Airports, but are secured by and payable solely out of PFC Revenue (as defined herein) and deposited in the PFC Revenue Fund created by the Series 2001 Bonds authorizing ordinance. Passenger Facility Charges ("PFCs") are fees authorized by the Aviation Safety and Capacity Expansion Act of 1990, as amended (the "PFC Act"), as implemented by the FAA pursuant to published regulations. Pursuant to the PFC Act and to the City's current approvals from the FAA, the City may, with certain exceptions, charge each paying passenger who emplanes at MCI a PFC of \$3.00. However, the City is currently in the process of increasing the \$3.00 to \$4.50. The annual amount of PFC Revenue payable to the City thus depends upon the number of passenger emplanements at MCI and the level of the PFC charged. The PFC Act requires air carriers and their agents to collect the PFCs and to remit to the City once each month the proceeds of such collections, less a handling fee.

### **Future Airport Financings**

The City expects to issue approximately \$40,000,000 of Special Facility Airport Revenue Bonds within the next nine months to provide funds to renovate the overhaul facility used by American Airlines. These bonds will be payable from rental payments received from American Airlines for use of the facility and will be further secured by amounts on deposit in the Extension and Retirement Fund.

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## AIRPORT SYSTEM REVENUE AND EXPENSES

The following table presents a summary of historical statements of revenue and expenses of the Airports for the City's last five fiscal years, which information was derived from the audited financial statements of the City. The table also shows the Net Revenues available for Debt Service, Debt Service and the Debt Service Coverage Ratio for the Parity Bonds.

	2000	2001	2002	2003	2004
<b>Revenues:</b>					
Airfield	\$9,057,808	\$9,615,244	\$9,533,404	10,204,660	10,228,110
Terminal	12,136,746	13,102,894	13,815,149	12,040,212	10,969,892
Parking	32,094,178	31,993,244	29,557,225	31,654,833	33,089,817
Rental Cars	7,594,848	7,773,928	7,238,643	7,290,691	7,864,913
Aviation Services Area	3,966,792	3,506,368	4,036,332	3,786,651	3,559,507
Other Property Rentals/Other Revenue	3,200,324	3,620,506	3,119,611	3,287,914	2,299,644
Customer Facility Charges	0	1,776,234	6,186,432	5,792,046	5,886,939
Interest Earnings	8,479,544	14,272,889	4,605,400	3,900,572	4,137,949
Cash provided by capitalized interest					3,455,944
<b>Total Revenues</b>	<b>\$76,530,240</b>	<b>\$85,661,307</b>	<b>\$78,092,196</b>	<b>\$ 77,957,578</b>	<b>81,492,715</b>
<b>O&amp;M Expenses:</b>					
Salaries, Wages, & Benefits	\$18,108,645	\$18,292,675	\$20,509,675	22,365,738	21,120,771
Contractual Services	11,994,359	15,925,308	25,528,489	26,280,324	25,474,042
Utilities	3,146,221	3,871,593	3,340,415		
Commodities and Supplies	2,561,678	3,091,249	2,515,840	2,485,170	2,616,891
Property and Liability Insurance	974,819	689,807	982,327		
<b>Total O&amp;M Expenses</b>	<b>\$36,785,722</b>	<b>\$41,870,632</b>	<b>\$52,876,746</b>	<b>\$51,131,232</b>	<b>49,211,704</b>
<b>Net Revenues</b>	<b>\$39,744,518</b>	<b>\$43,790,675</b>	<b>\$25,215,450</b>	<b>\$26,826,346</b>	<b>32,281,011</b>
<b>Debt Service on Outstanding Senior Bonds</b>	<b>\$13,847,000</b>	<b>\$14,004,723</b>	<b>\$14,119,806</b>	<b>\$14,119,193</b>	<b>\$ 20,616,593</b>
<b>Debt Service Coverage Ratio</b>	<b>2.87</b>	<b>3.13</b>	<b>1.79</b>	<b>1.90</b>	<b>1.57</b>
<b>Series 2000 Subordinate GARBS</b>		<b>246,667</b>	<b>740,000</b>	<b>740,000</b>	<b>740,000</b>
<b>Total GARB Debt Service</b>	<b>\$13,847,000</b>	<b>14,251,390</b>	<b>14,859,806</b>	<b>14,859,193</b>	<b>21,356,593</b>
<b>Total GARB Coverage</b>	<b>2.87</b>	<b>3.07</b>	<b>1.70</b>	<b>1.81</b>	<b>1.51</b>

## FINANCIAL STATEMENTS

The financial statements of the City's Airports Fund for the fiscal years ended April 30, 2003, and 2004, are included in *Appendix F* to this Official Statement. Such financial statements have been audited by KPMG LLP, Kansas City, Missouri, certified public accountants, to the extent and for the periods indicated in their report which also appears in *Appendix F*. Such financial statements have been included herein in reliance upon the report of such firm. The City did not ask KPMG LLP to perform any additional work or any post audit procedures more recently than the April 30, 2004, audit, with respect thereto.

## **RATINGS**

Standard & Poor's Ratings Group, Moody's Investors Service, Inc. and Fitch Ratings are expected to assign their respective municipal bond ratings to the Bonds as shown on the Cover Page hereof based upon the assumption that the Bond Insurance Policy will be issued by the Bond Insurer upon delivery of the Bonds. Such ratings reflect only the views of such organizations at the time such ratings are given, and the Underwriters and the City make no representation as to the appropriateness of such ratings. An explanation of the significance of such ratings may be obtained only from such rating agencies. The City and the Bond Insurer furnished such rating agencies with certain information and materials relating to the Bonds, the City and the Bond Insurer that have not been included in this Official Statement. Generally, rating agencies base their ratings on the information and materials so furnished and on investigations, studies and assumptions by the rating agencies. There is no assurance that a particular rating will be maintained for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing such rating, circumstances so warrant. Neither the City, the Underwriters nor the Bond Insurer has undertaken any responsibility to bring to the attention of the holders of the Bonds any proposed revision or withdrawal of a rating of the Bonds or to oppose any such proposed revision or withdrawal. Any such revision or withdrawal of such a rating could have an adverse effect on the market price and marketability of the Bonds.

An explanation of the significance of each rating may be obtained from the rating agency furnishing the same at the following addresses: Moody's Investors Service, Inc. 99 Church Street, New York, New York 10007; Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., 25 Broadway, New York, New York 10004 and Fitch Ratings, One State Street Plaza, New York, NY 1004.

## **CONTINUING DISCLOSURE AGREEMENT**

The City will execute a Continuing Disclosure Agreement with respect to ongoing disclosure which will constitute the written understanding for the benefit of the holders of the Bonds required by Rule 15c2-12 under the Securities Exchange Act of 1934, as amended. A copy of the Continuing Disclosure Agreement is attached to this Official Statement as *Appendix D*.

## **LITIGATION**

There is no litigation pending seeking to restrain or enjoin the issuance or delivery of the Bonds or questioning or affecting the legality of the Bonds or the proceedings and authority under which the Bonds are to be issued. There is no litigation pending which in any manner questions the rights of the City to construct or finance the improvements of its Airports.

The City has no record of employer/employee problems nor is it involved in any litigation which might affect the City's ability to meet its obligations to pay principal of and interest on the Bonds.

## **FINANCIAL ADVISORS**

Oppenheimer & Co. Inc., Kansas City, Missouri, and Valdés & Moreno, Kansas City, Missouri, have been retained by the City to act as Co-Financial Advisors in connection with this financing and have assisted in the preparation of certain information in this Official Statement. Oppenheimer & Co. Inc. and Valdés & Moreno will receive compensation for their services as Co-Financial Advisors. The City has given Oppenheimer & Co. Inc., permission to participate as a member of a syndicate which submits a bid to purchase the Bonds.

## **LEGAL MATTERS**

All matters incident to the authorization and issuance of the Bonds are subject to the approval of Gilmore & Bell, P.C., Kansas City, Missouri and the Hardwick Law Firm, LLC, Co-Bond Counsel. Certain legal matters will be passed upon for the City by the City Attorney.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or for the future performance of parties to such transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

## **TAX MATTERS**

In the opinion of Co-Bond Counsel, the interest on the Series 2005C Bonds is includable in gross income for purposes of federal income taxation purposes.

## **COMPETITIVE SALE OF BONDS**

The Bonds were offered by the City at a competitive sale held on March 31, 2005, in accordance with the notice of bond sale. The Series 2005C Bonds were sold at the competitive sale by the City to First Albany Capital Inc. at a purchase price equal to \$56,867,709.18 (representing the principal amount of \$57,020,000.00, less the net original issue discount of \$117,329.40, less the underwriter's discount of \$139,260.60, plus accrued interest in the amount of \$104,299.18).

The information regarding proceeds or yields has been furnished to the City for inclusion in this Official Statement by the underwriters of the Bonds at the competitive sale, such prices or yields are shown on the cover page of this Official Statement and are based on the information supplied to the City by such underwriters with respect to the resale price (not including concessions) of the Bonds established on the date hereof. Any other information concerning the terms of reoffering the Bonds, if any, including prices or yields, should be obtained from such underwriters and not from the City.

## **MISCELLANEOUS**

Information set forth in this Official Statement has been furnished or reviewed by certain officials of the City, its co-financial advisors, Oppenheimer & Co. Inc. and Valdés & Moreno, KPMG LLP, Kansas City, Missouri, certified public accountants, and other sources which are believed to be reliable. Any statements made in this Official Statement involving matters of opinion, estimates or projections, whether or not so expressly state, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. The descriptions contained in this Official Statement of the Bonds and the Bond Ordinance do not purport to be complete and are qualified in their entirety by reference to the respective documents.

The cover page and the Appendices A through G hereto inclusive are integral parts of this Official Statement and should be read in conjunction with the foregoing material.

The execution, delivery and use of this Official Statement have been duly authorized by the City.

**CITY OF KANSAS CITY, MISSOURI**

By: /s/ Wanda Gunter  
Acting Director of Finance

## **APPENDIX A**

### **SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE**

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## SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE

*In addition to terms defined elsewhere in this Official Statement, the following are definitions of certain terms used in the Ordinance and this Official Statement. Reference is hereby made to the Ordinance for complete definitions of all terms.*

**"Airports"** means the Charles B. Wheeler Downtown Airport located in Clay County, Missouri, Kansas City International Airport located in Platte County, Missouri, and any other airport now or hereafter owned and operated by the City.

**"Aviation Department Representative"** means the Director of the City's Aviation Department and such other person or persons at the time designated to act on behalf of the City's Aviation Department in matters relating to the Ordinance as evidenced by a written certificate containing the specimen signature of such person or persons and signed on behalf of the City's Aviation Department by its Director.

**"Bond Counsel"** means Gilmore & Bell, P.C. and the Hardwick Law Firm, LLC, or other firm of attorneys nationally recognized on the subject of municipal bonds.

**"Bond Insurance Policy"** means the financial guaranty insurance policy issued by the Bond Insurer that insures the scheduled payment of the principal of and interest on the Bonds.

**"Bond Insurer"** and **"MBIA"** means MBIA Insurance Corporation, Armonk, New York, a New York stock insurance company, and its successors and assigns.

**"Bondholder"** and **"Holder"** means a Person in whose name a Bond is registered in the Bond Register. When the Ordinance requires or permits consent from, or direction by, Bondholders, such reference shall mean and include those lawfully entitled to take such actions on behalf of the beneficial owners of the Bonds at the time in question.

**"Bond Register"** means the register and all accompanying records kept by the Paying Agent evidencing the registration, transfer and exchange of the Bonds.

**"Bond" or "Bonds"** means the Subordinated Taxable Airport Improvement and Refunding Revenue Bonds, Series 2005C, of the City herein authorized.

**"Business Day"** means any day except Saturday, Sunday, a legal holiday or a day on which banking institutions located in the States of Missouri and New York are authorized by law to close.

**"Cede & Co."** means Cede & Co., as nominee name of The Depository Trust Company, New York, New York.

**"CFC Ordinance"** means the Ordinance of the City Council which authorized the collection of a Customer Facility Charge related to use by customers of the Consolidated Airport Rental Car Facility which fee is part of the Revenues of the Airport System, and which was passed by the City Council concurrently with the 2000 Ordinance.

**"City"** means the City of Kansas City, Missouri.

**"Consolidated Airport Rental Car Facility"** means the approximately 3.3 million square foot facility, including a central administrative building and 11 service buildings which will serve multiple rental car companies, and the construction of which facility will be financed with the proceeds of the Bonds.

**"Consultant" or "Airport Consultant"** means an independent airport consultant or firm of airport consulting engineers having a national reputation for having skill and experience in the development, operation and management of airports.

**"Customer Facility Charge" or "CFC"** means the Customer Facility Charge established by the CFC Ordinance, of the Council as it may be adjusted from time to time.

**“Director of Finance”** means the Director or any Acting Director of the Department of Finance of the City.

**“Financial Guaranty Agreement”** means the Financial Guaranty Agreement dated as of April 14, 2005 between the Surety Bond Provider and the City.

**“Fiscal year”** or **“operating year”** means the City’s fiscal year or operating year then in effect.

**“General Improvement Airport Revenue Bonds”** means all revenue bonds now or hereafter issued payable from the general revenues of the Airports, which Revenues are deposited in the Kansas City Airports Fund.

**“Global Bond Certificates”** means one or more bond certificates of the City, each certificate representing the entire principal amount of the Bonds due on a particular maturity, immobilized from general circulation in the Depository.

**“Governing Body”** or **“Council”** means the Council of the City.

**“Interest Payment Date”** means the Stated Maturity of an installment of interest on the Bonds.

**“Issue Date”** means April 14, 2005.

**“Kansas City Airports Fund”** means the fund established by Committee Substitute for Ordinance No. 17944 of the City passed on June 16, 1954.

**“Maturity Date”** with respect to any Bond means the date on which the principal of such Bond becomes due and payable as therein or herein provided, whether at the Stated Maturity of such Bond or by declaration of acceleration, call for redemption or otherwise.

**“Maximum Bond Reserve Amount”** means, with respect to the Series 2005C Bonds, an aggregate amount equal to the least of (a) the maximum amount of debt service which will become due on the Bonds in any subsequent Fiscal Year, (b) 10% of the original aggregate principal amount of the Bonds or (c) an amount equal to 125% of the average annual debt service which will become due on the Bonds.

**“1967 Ordinance”** means Committee Substitute for Ordinance No. 34153 of the City, adopted on July 14, 1967.

**“1995 Ordinance”** means Committee Substitute for Ordinance No. 951568.

**“1997A Ordinance”** means Committee Substitute for Ordinance No. 970206.

**“1999A Ordinance”** means Committee Substitute for Ordinance No. 990990, as amended.

**“2000 Ordinance”** means Ordinance No. 001512.

**“2001 Ordinance”** means Committee Substitute for Ordinance No. 010984.

**“2003A Ordinance”** means Committee Substitute for Ordinance No. 030129.

**“2003B Ordinance”** means Committee Substitute for Ordinance No. 030130.

**“2004E Ordinance”** means Ordinance No. 040578.

**“Ordinance,” “the Ordinance,” “hereof,” “herein,” “hereto”** and similar terms shall refer to the Ordinance of the City authorizing the Bonds, as originally executed or as supplemented or amended from time to time.

**“Outstanding”** when used with respect to the Bonds means, as of the date of determination, all of the Bonds theretofore executed, authenticated and delivered under the Ordinance, except:

- (i) any portion of the Bonds theretofore fully paid by the Paying Agent to the registered holders as described in Section 2.3 of the Ordinance or canceled by the Paying Agent or delivered to the Paying Agent for cancellation;
- (ii) any portion of the Bonds that has been defeased by the deposit of funds or qualified securities with the Paying Agent or other qualified party in compliance with the Ordinance; and
- (iii) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered pursuant to the Ordinance.

**“Outstanding Senior Bonds”** means the Series 1995 Bonds, the Series 1997A Bonds, the Series 1999A Bonds, the Series 2003A Bonds, the Series 2003B Bonds and the Series 2004E Bonds Outstanding on the date of the issuance and delivery of the Bonds.

**“Participants”** means those financial institutions for whom the Depository effects book-entry transfers and pledges of securities deposited with the Securities Depository, as such listing of Participants exists at the time of such reference.

**“Passenger Facility Charges” or “PFCs”** means all passenger facility charges imposed by the City at the Airport pursuant to the PFC Act, the PFC Regulations and the Records of Decision (as defined in the 2001 Ordinance).

**“Paying Agent”** means the paying agent designated by the City from time to time, and any successors and assigns serving as paying agent hereunder.

**“Permitted Investments”** means, if and to the extent the same are at the time legal for investment of moneys held in the funds and accounts established by Sections 5.1 and 5.3(e) (1) and (2) hereof:

- (a) United States Treasury Securities (Bills, Notes, Bonds and Strips). Obligations of the United States government for which the full faith and credit of the United States are pledged for the payment of principal and interest.
- (b) United States Agency Securities. Obligations issued or guaranteed by any agency, including government sponsored enterprises of the United States Government, which at the time of purchase have a liquid market and a readily determinable market value that are described as follows:
  - (i) U.S. Government Agency Coupon and Zero Coupon Securities. Bullet coupon bonds with no embedded options.
  - (ii) U.S. Government Agency Discount Notes. Purchased at a discount with maximum maturities of one (1) year.
  - (iii) U.S. Government Agency Callable Securities. Restricted to securities callable at par only with maximum final maturities of five (5) years.
  - (iv) U.S. Government Agency Step-Up Securities. The coupon rate is fixed for an initial term. At coupon date, the coupon rate rises to a new, higher fixed interest rate. Restricted to securities with maximum final maturities of three (3) years.
  - (v) U.S. Government Agency Floating Rate Securities. The coupon rate floats off of only one index. Restricted to coupons with no interim caps that reset at least quarterly.

- (vi) U.S. Government Agency Mortgage Backed Securities (MBS, CMO, Pass-Thru Securities). Restricted to securities with final maturities of three (3) years or less or have the final projected payment no greater than three (3) years when analyzed in a +300 basis point interest rate environment. Restricted to obligations of FNMA, FHLMC and GNMA only.
- (c) Repurchase Agreements. Contractual agreements between the City and commercial banks or primary government securities dealers, organized under the laws of the United States or any state, which contractual agreements are continuously and fully secured by any one or more of the securities described in paragraphs (a) and (b) above and which have a market value, exclusive of accrued interest, at all times at least equal to the principal amount of such repurchase agreements. Securities acquired pursuant to repurchase agreements shall be valued at the lower of the current market value or the repurchase price thereof set forth in the repurchase agreement. The Bond Market Association's guidelines for the Master Repurchase Agreement will be used and will govern all repurchase agreement transactions. All repurchase agreements shall result in transfer of legal title to identified securities that are segregated in a custodial or trust account for the benefit of the Paying Agent or delivered to the Paying Agent. Repurchase agreement transactions will be either physical delivery or tri-party.
- (d) Bankers' Acceptances. Bankers' acceptances issued by domestic commercial banks possessing the highest rating issued by Moody's Investor Services, Inc. or Standard and Poor's Corporation.
- (e) Commercial Paper. Commercial paper issued by domestic corporations, which has received the highest rating issued by Moody's Investor Services, Inc. or Standard and Poor's Corporation. Eligible paper is further limited to issuing corporations that have total assets in excess of five hundred million dollars (\$500,000,000) and are not listed on Credit Watch with negative implications by any nationally recognized rating agency at the time of purchase.
- (f) Any full faith and credit obligations of the State of Missouri rated at least A or A2 by Standard and Poor's or Moody's.
- (g) Any full faith and credit obligations of any county in which the City is located rated AA or Aa2 by Standard and Poor's or Moody's.
- (h) Any full faith and credit obligations of any school district in Kansas City, Missouri, rated AA or Aa2 by Standard and Poor's or Moody's.
- (i) Any full faith and credit obligations or revenue bonds of the City of Kansas City, Missouri, rated AA or Aa2 by Standard and Poor's or Moody's.
- (j) Any municipal obligation as defined in (f), (g), (h) or (i) that is not rated but either pre-refunded or escrowed to maturity with U.S. Treasury Securities as to both principal and interest.
- (k) Money market mutual funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, rated in either of the two highest categories by Moody's and Standard & Poor's (in either case without regard to any modifier).
- (l) Such other investments not described above that are allowed pursuant to Missouri law.

References to particular ratings and rating categories in this definition are applicable only at the time of purchase of the Permitted Investment.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

**“PFC Act”** means the Aviation Safety and Capacity Expansion Act of 1990, Pub. L. 101-508, Title IX, Subtitle B, §§ 9110 and 9111, recodified as 49 U.S. § 40117, as amended or replaced from time to time.

**“PFC Regulations”** means Part 158 of the Federal Aviation Regulations (14 CFR Part 158), as amended from time to time, and any other regulation issued with respect to the PFC Act.

**“PFC Revenue Fund”** means the fund by that name created by the 2001 Ordinance.

**“PFC Revenues”** means all revenue earned by the City from time to time from Passenger Facility Charges, including any investment income with respect thereto including proceeds thereof and gains and losses from sales of investments after such revenue has been remitted to the City as provided in the PFC Regulations, all of which are pledged to the Series 2001 Bonds.

**“Record Date”** for the interest payable on any Interest Payment Date means the fifteenth calendar day (whether or not a Business Day) of the month next preceding such Interest Payment Date.

**“Redemption Date”** when used with respect to any Bond to be redeemed means the date fixed for redemption pursuant to the Ordinance.

**“Redemption Price”** when used with respect to any Bond to be redeemed means the price at which it is to be redeemed pursuant to the Ordinance.

**“Registration Date”** means the effective date of registration of a Bond as evidenced by the Paying Agent in the Certificate of Authentication appearing on the Bond.

**“Revenues”** means the revenues derived and to be derived by the City from the operation of the Airports and deposited in the Kansas City Airports Fund.

**“Securities Depository”** means, initially, The Depository Trust Company, New York, New York, and its successors and assigns.

**“Senior Bond Ordinances”** means the 1995 Ordinance, 1997A Ordinance, the 1999A Ordinance, the 2003A Ordinance, the 2003B Ordinance and the 2004E Ordinance.

**“Series 1995 Bonds”** means the Outstanding General Improvement Airport Refunding Revenue Bonds, Series 1995, authorized by the 1995 Ordinance.

**“Series 1997A Bonds”** means the Outstanding General Improvement Airport Refunding Revenue Bonds, Series 1997A authorized by the 1997A Ordinance.

**“Series 1999A Bonds”** means the Outstanding General Improvement Airport Refunding Revenue Bonds, Series 1999A, authorized by the 1999A Ordinance.

**“Series 2000 Bonds”** means the Outstanding Subordinated Taxable Airport Revenue Bonds (Consolidated Airport Rental Car Facility Project), Series 2000, authorized by the 2000 Ordinance.

**“Series 2001 Bonds”** means the Outstanding Passenger Facility Charge Revenue Bonds, Series 2001, authorized by the 2001 Ordinance.

**“Series 2003A Bonds”** means the Outstanding General Improvement Airport Revenue Bonds (Terminal Improvement Project), Series 2003A, authorized by the 2003A Ordinance.

**“Series 2003B Bonds”** means the Outstanding General Improvement Airport Revenue Bonds (Economy Parking Lot Project), Series 2003B, authorized by the 2003B Ordinance.

**"Series 2004E Bonds"** means the Outstanding General Improvement Airport Refunding Revenue Bonds, Series 2004E, authorized by the 2004E Ordinance.

**"Special Record Date"** means the date fixed by the Paying Agent pursuant to **Section 2.3** of the Ordinance for the payment of Defaulted Interest.

**"Stated Maturity"** when used with respect to any Bond or any installment of interest thereon means the date specified in **Section 2.2** of the Ordinance as the fixed date on which the principal of such Bond or such installment of interest is due and payable.

**"Surety Bond"** means the debt service reserve fund surety bond issued by the Surety Bond Provider guaranteeing certain payments into the Subordinated Bond Reserve Account with respect to the Bonds as provided therein and subject to the limitations set forth therein.

**"Surety Bond Provider"** means MBIA Insurance Corporation, Armonk, New York, a New York stock insurance company, and its successors and assigns, in its capacity as issuer of the Surety Bond.

\* \* \*

*The following is a summary of certain provisions contained in the Series Ordinance. The following is not a comprehensive description, however, and is qualified in its entirety by reference to the Series Ordinance for a complete recital of the terms thereof.*

**Disposition of Bond Proceeds, Series 2000 Bonds and Construction Account.** The net proceeds received from the sale of the Bonds, including premium and any interest accrued thereon, shall be deposited by the City simultaneously with the delivery of the Bonds as set forth in the Ordinance.

**Kansas City Airports Fund.** So long as any of the Outstanding Senior Bonds or the Bonds remain Outstanding and unpaid, the City covenants and agrees that all Revenues derived and to be derived by the City from the operation of the Airports including all Revenues derived by the City from all additions, extensions, enlargements and improvements of the Airports hereafter made or acquired including any revenues collected and received pursuant to the CFC Ordinance approved by the Council, excluding (i) any revenues attributable to Passenger Facility Charges authorized under Part 158 of the Code of Federal Regulations and (ii) any revenues under any other special facilities agreement and ground lease heretofore or hereafter entered into by and between the City and any airline (or, once the Series 1995 Bonds, the Series 1997A Bonds and the Series 1999A Bonds are no longer Outstanding, any other tenants of the Airport) serving the City pledged to the payment of special facilities airport revenue bonds issued by the City to finance the cost of constructing special facilities to be leased to such airline or other tenant, subject, however, to any liens upon or claims against the revenues of any such extensions existing at the time of the acquisition thereof by the City, will be paid and deposited promptly in the Kansas City Airports Fund, and will be segregated and kept separate and apart from the other revenues and funds of the City.

**Ratification of Funds and Accounts.**

(a) The establishment by the 1967 Ordinance of the City of separate accounts in the Department of Finance of the City known respectively as the "Airlines Operation and Maintenance Account," (formerly the "Reserve Operation and Maintenance Account") and as the "Extension and Bond Retirement Account," is ratified and confirmed.

(b) The Deferred Maintenance and Replacement Account established by the 1967 Ordinance is also ratified and confirmed and shall be maintained and applied as provided therein for so long as any of the Series 1995 Bonds or the Series 1997 Bonds remain Outstanding.

(c) The establishment in the Department of Finance of the City by the Senior Bond Ordinances of separate principal and interest accounts and separate reserve accounts for each series of Outstanding Senior Bonds is ratified and confirmed. The accounts referred to in this paragraph (c) shall be maintained and administered by the City in accordance

with the provisions of the respective Senior Bond Ordinance establishing such separate accounts so long as any of the applicable series of Senior Bonds remain Outstanding.

(d) In addition to the accounts aforesaid, there are hereby created and ordered to be established in the Department of Finance of the City three separate accounts to be known respectively as the:

(1) "Subordinated Principal and Interest Account, Series 2005C," dated April 1, 2005," hereinafter sometimes called the "Subordinated Bond Principal and Interest Account," and

(2) "Subordinated Reserve Account, Series 2005C, dated April 1, 2005," hereinafter sometimes called the "Subordinated Bond Reserve Account," and

(3) "Series 2005C Subordinated Taxable Airport Improvement and Refunding Revenue Bonds Construction Account," hereinafter sometimes called the "Construction Account."

The accounts referred to in subsection (a) above and in (1) and (2) of this paragraph (d) shall be maintained and administered by the City so long as any of the Bonds remain Outstanding.

**Application of Moneys in Fund and Accounts.** The City covenants and agrees that so long as any of the Bonds remain Outstanding, money paid and deposited in the Kansas City Airports Fund established by the City will be administered and disposed of as follows:

(a) The City shall first pay or make provision for the payment each month of the reasonable and proper expenses of operating and maintaining the Airports for the current month, and keeping said Airports and the equipment and facilities thereof in good repair and operating condition including normal repairs and replacements, said expenses including, without limiting the generality of the foregoing, salaries, wages, public utility services and insurance. All of such expenditures shall be made in accordance with the provisions of the then current annual budget of the City prepared and adopted as provided in the City's Charter and ordinances duly passed relating thereto and in amounts not in excess of the amounts specified in said budget.

(b) After paying or making provisions for the payment, each month, of the reasonable and proper expenses of operating and maintaining the Airports as provided in paragraph (a) of this Section, so long as any of the Series 1995 Bonds, the Series 1997 Bonds or the Series 1999A Bonds remain Outstanding, the City shall next pay into the Airlines Operation and Maintenance Account any amounts required by the provisions of the 1967 Ordinance. Thereafter, the City shall pay into the Airlines Operation and Maintenance Account any amounts required by the provisions of the City's current Airline Use and Lease Agreements for Kansas City International Airport.

(c) After paying or making provision for the payment, each month, of the amounts required to be paid and credited from the Kansas City Airports Fund pursuant to subparagraphs (a) and (b) of this Section, the City shall next pay and credit monthly from the Kansas City Airports Fund (i) to the "Principal and Interest Account for General Improvement Airport Refunding Revenue Bonds, dated December 15, 1995," created by the 1995 Ordinance, so long as any of the Series 1995 Bonds remain outstanding, all amounts required to be so paid and credited by the provisions of the 1995 Ordinance, (ii) to the "Principal and Interest Account for General Improvement Airport Revenue Refunding Bonds, Series 1997A dated March 15, 1997" created by the 1997A Ordinance so long as any of the Series 1997A Bonds remain Outstanding any amounts required by the 1997A Ordinance, (iii) to the "Principal and Interest Account for General Improvement Airport Refunding Revenue Bonds, Series 1999A dated August 15, 1999" created by the 1999A Ordinance so long as any of the Series 1999A Bonds remain Outstanding any amounts required by the 1999A Ordinance, (iv) to the "Principal and Interest Account for General Improvement Airport Revenue Bonds, Series 2003A dated February 15, 2003" created by the 2003A Ordinance so long as any of the Series 2003A Bonds remain Outstanding any amounts required by the 2003A Ordinance, (v) to the "Principal and Interest Account for General Improvement Airport Revenue Bonds, Series 2003B dated February 15, 2003" created by the 2003B Ordinance so long as any of the Series 2003B Bonds remain Outstanding any amounts required by the 2003B Ordinance and (vi) to the "Principal and Interest Account for General Improvement Airport Refunding Revenue Bonds, Series 2004E

dated June 1, 2004" created by the 2004E Ordinance so long as any of the Series 2004E Bonds remain Outstanding any amounts required by the 2004E Ordinance.

If at any time the moneys in the Kansas City Airports Fund shall be insufficient to make in full the payments and credits at the time required to be made by the City to the principal and interest accounts established to pay the then outstanding general improvement airport revenue bonds of the City heretofore or hereafter issued and standing on a parity with the Outstanding Senior Bonds, the available moneys in the Kansas City Airports Fund shall be divided between such principal and interest accounts in proportion to the respective principal amounts of said series of general improvement airport revenue bonds of the City at the time outstanding which are payable from the moneys in such principal and interest accounts.

(d) After all amounts at the time required to be paid and credited from the Kansas City Airports Fund under the provisions of paragraph (c) of this Section shall have been so paid and credited, the City shall next pay and credit monthly from the Kansas City Airports Fund (i) to the "Reserve Account for General Improvement Airport Revenue Refunding Bonds, dated December 15, 1995" created by the 1995 Ordinance, so long as any of the Series 1995 Bonds remain outstanding, any amounts required by the 1995 Ordinance, (ii) to the "Reserve Account for General Improvement Airport Refunding Revenue Bonds, Series 1997A, dated March 15, 1997" created by the 1997A Ordinance so long as any of the Series 1997A Bonds remain Outstanding any amounts required by the 1997A Ordinance, (iii) to the "Reserve Account for General Improvement Airport Refunding Revenue Bonds, Series 1999A, dated August 15, 1999" created by the 1999A Ordinance, so long as any of the Series 1999A Bonds remain outstanding, any amounts required by the 1999A Ordinance, (iv) to the "Reserve Account for General Improvement Airport Revenue Bonds, Series 2003A, dated February 15, 2003" created by the 2003A Ordinance, so long as any of the Series 2003A Bonds remain outstanding, any amounts required by the 2003A Ordinance, (v) to the "Reserve Account for General Improvement Airport Revenue Bonds, Series 2003B, dated February 15, 2003," created by the 2003B Ordinance, so long as any of the Series 2003B Bonds remain outstanding, any amounts required by the 2003B Ordinance, and (vi) to the "Reserve Account for General Improvement Airport Refunding Revenue Bonds, Series 2004E, dated June 1, 2004," created by the 2004E Ordinance, so long as any of the Series 2004E Bonds remain outstanding, any amounts required by the 2004E Ordinance.

If at any time the moneys in the Kansas City Airports Fund shall be insufficient to make in full the payments and credits at the time required to be made by the City to the bond reserve accounts established by the City to protect the payment of the outstanding general improvement airport revenue bonds of the City, including the Outstanding Senior Bonds and other general improvement airport revenue bonds of the City heretofore or hereafter issued and standing on a parity with the Outstanding Senior Bonds, the available moneys in the Kansas City Airports Fund shall be divided among such bond reserve accounts in proportion to the respective principal amounts of said series of general improvement revenue bonds of the City at the time outstanding which are payable from the moneys in such bond reserve accounts.

(e) When and after the City shall have made all payments and credits from the Kansas City Airports Fund to the bond reserve accounts for the Outstanding Senior Bonds required at the time to be made under the provisions of Section (d), to the extent not required to be deposited in accordance with (a) to (d) above, Revenues shall be deposited into the Subordinated Bond Principal and Interest Account and the Subordinated Bond Reserve Account, as more fully described in Section 5.5 of the Ordinance.

(f) When and after the City shall have made all payments and credits from the Kansas City Airports Fund to the Subordinated Bond Principal and Interest Account and the Subordinated Bond Reserve Account required at the time to be made under the provisions of Section (e), the City shall next pay into the Deferred Maintenance Reserve Fund, of which the Deferred Maintenance and Replacement Account is a part, (1) any amounts required by the provisions of the 1967 Ordinance to be deposited in the Deferred Maintenance and Replacement Account, and (2) any amounts required by the provisions of the City's current Airline Use and Lease Agreements for Kansas City International Airport to be deposited in the Deferred Maintenance Reserve Fund.



(g) When and after the City shall have made all payments and credits from the Kansas City Airports Fund required at the time to be made under the provisions of this Section, all remaining monies in the Kansas City Airports Fund shall be paid and credited monthly to the Extension and Bond Retirement Account.

Except as hereinafter provided, monies in the Extension and Bond Retirement Account shall be used solely for the following purposes or any of them as determined by the Governing Body of the City:

(i) Paying the cost of operation, maintenance and repair of the Airports to the extent that such payment shall be necessary after the application of moneys held in the Kansas City Airports Fund and available for said purpose under the provisions of paragraph (a) of this Section.

(ii) Anticipating payments into or increasing the amounts of the Airlines Operation and Maintenance Account, the Subordinated Bond Principal and Interest Account, the Subordinated Bond Reserve Account or the Deferred Maintenance and Replacement Account, or any of them, or establishing or increasing the amount of any interest and principal account or bond reserve account created or established by the City for the payment of any general improvement airport revenue bonds of the City hereafter issued in conformity with the provisions hereinafter contained and standing on a parity with the Bonds herein authorized.

(iii) Paying the cost of enlarging, extending or improving the general facilities of the Airports or any of them, including the acquisition of additional land, buildings, equipment and facilities, whether by construction, purchase or otherwise, including acquisition by operation of law from other governmental agencies and the assumption of the obligations thereof.

(iv) Calling for redemption and payment or purchasing prior to maturity Outstanding Senior Bonds, the Bonds or any general improvement airport revenue bonds of the City hereafter issued in conformity with the provisions hereinafter contained and standing on a parity with the Bonds, provided, however, such bonds shall be called for redemption and payment, or purchased, only in accordance with the provisions of Section 3.1 of the Ordinance.

(v) Subject to the prior right of the City to use from time to time moneys in the Extension and Bond Retirement Account for any of the purposes set forth in subparagraphs (i), (ii), (iii) and (iv) aforesaid, the City shall have the right to use any available moneys in said Account for either or both of the following purposes as determined by the City:

(A) Paying the interest on and principal of any special facility airport revenue bonds of the City at the time outstanding if no other moneys are available to pay such interest or principal.

(B) Paying at the maturity thereof interest on or principal of any general obligation airport bonds of the City at the time outstanding, provided, however, no such interest on or principal of any general obligation airport bonds of the City shall be paid if the City is in default in paying either interest on or principal of any special facility airport revenue bonds of the City at the time outstanding.

Moneys in the Extension and Bond Retirement Account may be used to pay all costs incident to the purchase or redemption of Bonds, including any interest or premium thereon.

No moneys in the Kansas City Airports Fund shall be diverted or applied to the general governmental or municipal functions of the City so long as any of the Bonds remain Outstanding.

**Payments to Subordinated Bond Principal and Interest Account and Subordinated Bond Reserve Account.**

(a) After all payments required by Section 5.4 (a) through (d) of the Ordinance have been made, the City shall pay and credit from Revenues in the Kansas City Airports Fund to the Subordinated Bond Principal and Interest Account the following sums:

(1) Taking into account any funds already on deposit in the Subordinated Bond Principal and Interest Account, beginning April 20, 2005, and on the 20th day of each month thereafter, and to and including August 20, 2005, an equal and pro rata portion of the amount of interest becoming due on the Bonds on September 1, 2005; and thereafter, beginning on September 20, 2005, and continuing on the twentieth day of each month thereafter so long as any of the Bonds shall remain Outstanding and unpaid, an amount not less than 1/6 of the amount of interest that will become due on the Bonds on the next succeeding Interest Payment Date;

(2) Beginning on September 20, 2006, and continuing on the 20th day of each month thereafter so long as any of the Bonds herein authorized shall remain Outstanding and unpaid, an amount not less than one-twelfth of the principal amount of the Bonds becoming due on the next succeeding Stated Maturity of the Bonds;

(3) On the 20th day of each month in which fees, if any, of the bond registrar and Paying Agent are scheduled to become due, such amounts as may be required to pay such fees of the bond registrar and the Paying Agent.

All amounts paid and credited to the Subordinated Bond Principal and Interest Account shall be expended and used by the City for the sole purpose of paying the interest on and principal of the Bonds as and when the same become due and the fees of the bond registrar and the Paying Agent for acting as bond registrar and paying agent, if any.

(b) Simultaneously with the issuance of the Bonds, the City shall provide for the Subordinated Bond Reserve Account to contain an amount equal to the Maximum Bond Reserve Amount. In lieu of a cash deposit, the Maximum Bond Reserve Amount will be satisfied by the Surety Bond. The Surety Bond shall terminate on the earlier of the scheduled final maturity date of the Bonds or the date on which no Bonds are Outstanding under the Ordinance.

After all payments required by subsection (a) above have been made, the City shall pay and credit from the Revenues in the Bond and Extension Fund to the Subordinated Bond Reserve Account all sums necessary to repay all amounts owed to the Surety Bond Provider under the terms of the Financial Guaranty Agreement, as more fully described in the Ordinance.

**Surety Bond Provisions.** Upon notice from the Paying Agent to the Surety Provider to the effect that insufficient amounts are on deposit in the Subordinated Bond Principal and Interest Account to pay the principal of (at maturity or pursuant to mandatory redemption requirements) and interest on the Bonds, the Surety Bond Provider will promptly deposit with the Paying Agent an amount sufficient to pay the principal of and interest on the Bonds or the available amount of the Surety Bond, whichever is less. Upon the later of: (i) three (3) days after receipt by the Surety Provider of a Demand for Payment in the form attached to the Surety Bond, duly executed by the Paying Agent; or (ii) the payment date of the Bonds as specified in the Demand for Payment presented by the Paying Agent to the Surety Provider, the Surety Provider will make a deposit of funds in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment to the Paying Agent, of amounts which are then due to the Paying Agent (as specified in the Demand for Payment) subject to the Surety Bond coverage.

The available amount of the Surety Bond is the initial face amount of the Surety Bond less the amount of any previous deposits by the Surety Provider with the Paying Agent which have not been reimbursed by the City. The City and the Surety Provider have entered into the Financial Guaranty Agreement. Pursuant to the Financial Guaranty Agreement, the City is required to reimburse the Surety Provider, within one year of any deposit, the amount of such deposit made by the Surety Provider with the Paying Agent under the Surety Bond. Such reimbursement shall be made

only after the City has (1) made provision for the reasonable and proper expenses of operating and maintaining the Airports for the current month, (2) paid all amounts required to be deposited in the Airlines Operation and Maintenance Account, (3) made all required deposits to the principal and interest accounts and the reserve accounts for the Outstanding Senior Bonds and (4) made all required deposits to the Subordinated Principal and Interest Account.

Under the terms of the Financial Guaranty Agreement, the Paying Agent is required to reimburse the Surety Provider, with interest, until the face amount of the Surety Bond is reinstated before any deposit is made to the Kansas City Airports Fund. No optional redemption of Bonds may be made until the Surety Provider's Surety Bond is reinstated. The Surety Bond will be held by the Paying Agent in the Subordinated Bond Reserve Account and is provided as an alternative to the City depositing funds equal to the Maximum Bond Reserve Requirement for outstanding Bonds. The Surety Bond will be issued in the face amount equal to Maximum Bond Reserve Amount for the Bonds and the premium therefor will be fully paid by the City at the time of delivery of the Bonds.

**Deficiency of Payments into Funds or Accounts.** If at any time the revenues accruing to the Kansas City Airports Fund shall be insufficient to make any payment or credit on the date or dates specified, the City shall make good the amount of such deficiency by making payments or credits out of the first available revenues thereafter accruing to the Kansas City Airports Fund from the operation of the Airports, such payments and credits being made and applied in the order specified.

If at any time the moneys in the Subordinated Bond Principal and Interest Account are not sufficient to pay the interest on and principal of the Bonds as and when the same become due, then the amount of such deficiency after all payments have been made in connection with the Outstanding Senior Bonds, shall be made up by transfer of moneys from the other existing accounts and funds in the following order: first, from the Extension and Bond Retirement Account; secondly, from the Deferred Maintenance and Replacement Account; and thirdly, from moneys held in the Kansas City Airports Fund.

**Transfer of Funds to Paying Agent and Bond Registrar.** The Director of Finance of the City is hereby authorized and directed to withdraw from the Subordinated Bond Principal and Interest Account, sums sufficient to pay both principal of and interest on the Bonds as and when the same become due and to pay the charges for services rendered by the bond registrar and Paying Agent in acting as bond registrar and Paying Agent for the Bonds, if any, and to forward such sums to the Paying Agent in next day funds no later than the Business Day prior to the date when such principal, interest and fees will become due. The amounts necessary to pay the charges of the bond registrar and Paying Agent shall be forwarded to the Paying Agent over and above the amount of the principal of and interest on the Bonds.

The amounts held by the Paying Agent for the payment of the interest or principal due on any date with respect to a particular Bond or Bonds shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Holders of the Bonds entitled thereto.

Any moneys held by the Paying Agent in trust for the payment and discharge of any of the Bonds which remain unclaimed for four years after the date when such Bonds have become due and payable, if such moneys were held by the Paying Agent at such date, or for four years after the date of deposit of such moneys if deposited with the Paying Agent after the said date when such Bonds become due and payable, shall, without further authorization, be repaid by the Paying Agent to the City as its absolute property and free from trust, and the Paying Agent shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to the City for the payment of such Bonds.

**Investment of Moneys in Funds and Accounts.** Moneys held in the Funds and Accounts ratified in the Ordinance may be invested by the Director of Finance of the City as provided in the Senior Bond Ordinances. Moneys held in the Funds and Accounts created by the Ordinance may be invested in Permitted Investments authorized by the current investment policy of the City and any investment earnings thereon shall be credited to the respective account and used as provided in the Ordinance.

**Redemption of Series 2000 Bonds.** All of the outstanding principal amount of the Series 2000 Bonds are hereby called for redemption and payment prior to maturity at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the Issue Date.

The Series 2000 Bonds shall be redeemed at the office of the paying agent for such Series 2000 Bonds by the payment on the Issue Date of the principal thereof, together with the accrued interest thereon to that date. The City, as the sole Bondholder of the Series 2000 Bonds, hereby waives notice of the call for redemption and payment of the Series 2000 Bonds described above. The officers of the City and the bond registrar for the Series 2000 Bonds are hereby authorized and directed to take such other action as may be necessary in order to effect the redemption and payment of the Series 2000 Bonds as provided herein.

**Particular Covenants of the City.** The City covenants with the purchaser and owner of the Bonds that so long as the Bonds remain Outstanding and unpaid:

(a) The City will use the proceeds of the Bonds for the purpose of (1) financing improvements to the Kansas City International Airport for a Consolidated Airport Rental Car Facility and (2) refunding the Series 2000 Bonds, (3) pay the premium for the Bond Insurance Policy and the Surety Bond and (4) pay for the costs of issuing the Bonds.

(b) The City will promptly pay the principal of and interest on the Bonds on the dates, at the place and in the manner herein and in the Bonds and any premium required for the redemption of the Bonds, if any, according to the true intent and meaning of the Ordinance, provided, however, the Bonds and the interest thereon are payable from the Revenues derived and to be derived by the City from the operation of the Airports and accruing to the Kansas City Airports Fund, and nothing in the Bonds or in the Ordinance shall be construed to obligate the City to pay the Bonds or the interest thereon except from said Revenues. The City will faithfully observe and keep all covenants, agreements, undertakings and provisions contained in the Bonds herein authorized and in the Ordinance.

(c) The City will fix, establish, maintain and collect such reasonable rentals, rates, fees and charges for the use and occupancy of its Airports and of the services and facilities thereof as will produce revenue sufficient to pay the reasonable cost of operation and maintenance of the Airports, and to pay the interest on and the principal of the Bonds as and when the same become due, and to provide funds to meet all of the requirements of the Ordinance, including the requirement to pay all amounts owed to the Surety Bond Provider under the terms of the Financial Guaranty Agreement. From time to time, as often as it shall appear necessary, the City will revise its schedules of rentals, rates, fees and charges and will increase the same if such increase shall be necessary in order to enable the City to meet its obligations aforesaid.

(d) The City will fix, establish, maintain and collect a Customer Facility Charge or other similar or alternate source of revenue in connection with the operation of the Consolidated Airport Rental Car Facility which will be sufficient to generate amounts to pay costs of operation of that facility and at least 100% of the amount required to be deposited to the Subordinated Bond Principal and Interest Account pursuant to the Ordinance. From time to time, as often as it shall appear necessary, the City will revise its CFC as necessary in order to enable the City to meet its obligations under the Ordinance.

(e) The City will at all times maintain its Airports and airport facilities in good condition and working order, will make all necessary repairs, renewals and replacements therein, and will operate the same in an efficient and economical manner, at reasonable cost and in accordance with sound business principles. The City, in operating and maintaining its Airports, will comply with all contractual provisions and agreements entered into by it and with all valid rules, regulations, directions or orders of any governmental, executive, administrative or judicial body promulgating the same. In the operation of its Airports, the City will at all times endeavor to employ in executive, managerial and supervisory capacities, only persons qualified and competent therefor by reason of training and experience. Nothing herein contained shall limit or restrict the right of the City to execute leases covering parts of the Airports and airport facilities, and to require the tenants under said leases to maintain the premises or facilities leased to such tenants.

(f) The City will continue to own, maintain and operate Kansas City International Airport as a public air terminal for the accommodation of scheduled airlines serving the City and the adjacent area so long as any of the Bonds remain Outstanding. The City will not mortgage, pledge or otherwise encumber said Airport or the Revenues thereof.

(g) The City shall have the right to sell or otherwise dispose of any equipment or other airport property which has become worn out, unserviceable, inadequate or obsolete. The City shall also have the right, with the written approval of the City's Director of Aviation and its Airport Consultant, to sell or otherwise dispose of any airport property, real or personal, which in the opinion of said Director and Consultant, and in the judgment of the Council, is no longer needed by the City for aeronautical purposes. The net proceeds derived from the sale of any such property acquired with funds derived from the sale of the Bonds shall be used for the purpose of replacing any property so sold, or, if such replacement be unnecessary, then shall be paid into the Kansas City Airports Fund and used and applied for the purposes of said Fund in the order and in accordance with the provisions of the Ordinance. The net proceeds derived from the sale of any such property not acquired with funds derived from the sale of the Bonds shall be paid into the Extension and Bond Retirement Account and used and applied for the purposes of said Account in accordance with the provisions of the Ordinance.

(h) The City will operate its Airports on the basis of the same fiscal year on which the City operates and will maintain and keep proper books, records and accounts (separate from all other records and accounts) in which complete and correct entries will be made of all dealings and transactions relating to the Airports. Such records shall show the revenues received from the Airports, the application of such revenues, and all financial transactions in connection therewith. In accordance with the provisions of Section 85, Article IV, of the City's Charter, the Council will provide that an independent certified audit of the City's books and records relating to the Airports will be made annually by certified public accountants, experienced and qualified in municipal and governmental accounting. Each such audit shall be detailed in scope and said accountants shall certify as to the correctness of the schedules contained in the audit report. The annual financial report required by Section 96, Article IV, of the Charter, shall contain complete statements covering the results of the year's operations and the financial status of all funds and accounts established to handle the revenues of the Airports, including the Funds and Accounts referred to herein. Said statements shall bear the certificate of the firm of certified public accountants making the annual audit.

If such audit and report shall disclose that proper provision has not been made for all of the requirements contained in the Ordinance, the City will proceed promptly to impose such rates, fees and charges for the use of the Airports and their facilities as will adequately provide for such requirements.

A copy of each such audit report will be filed in the office of the Director of Aviation and will be open for public inspection, and a copy will be furnished those entities and in such manner as specified in the City's Continuing Disclosure Agreement as authorized by Section 12.3 of the Ordinance.

(i) The City will carry and maintain or cause to be carried and maintained in a responsible insurance company or companies fire insurance with extended coverage on the buildings and other property of an insurable nature constituting the general facilities of the Airports in an amount not less than ninety percent (90%) of the full insurable value thereof, provided, however, that if at any time the City shall be unable to obtain such insurance to the extent required, the City will maintain such insurance to the extent that the same may be reasonably obtainable. In the event of loss or damage, the City will use the proceeds of such insurance to the extent necessary in repairing, reconstructing and replacing the property damaged or destroyed, or, if such reconstruction or replacement be unnecessary, either in whole or in part, then such proceeds not required for said purpose shall be paid into the Kansas City Airports Fund, and used and applied for the purposes of said Fund in the order and in accordance with the provisions of the Ordinance. The City, in operating its Airports, will carry and maintain comprehensive liability and property damage insurance in such amounts as would normally be maintained by public bodies engaged in carrying on similar activities. The proceeds derived from any such insurance policies shall be used in paying the claims on account of which such proceeds were received. The cost of all insurance referred to in this paragraph shall be considered an operation and maintenance expense of the Airports. Notwithstanding any provision of this subsection to the contrary, the City may meet the insurance requirements set forth in the Ordinance through its retained risk management plan.

(j) The Holder or Holders of not less than ten percent (10%) in aggregate principal amount of the Bonds at the time Outstanding, or their duly authorized representative, shall have the right at all reasonable

times to inspect the Airports and the records, accounts and data relating thereto and to make copies of any such records, accounts or data.

(k) The City will punctually perform all duties and obligations with respect to its Airports required by the Ordinance, by the Charter of the City and by the Constitution and laws of the State of Missouri, and the City will perform all contractual obligations undertaken by it under leases and agreements with the United States of America, its agencies, and with persons and corporations, both public and private.

**Additional Senior Bonds.** The City covenants and agrees that so long as any of the Senior Bonds remain Outstanding, it will not issue any additional General Improvement Airport Revenue Bonds or other obligations which stand on a parity or equality with the Outstanding Senior Bonds except in accordance with the following conditions and provisions:

(a) There shall be no default by the City in the payment of any sums required at the time to be paid by the City under the provisions of Section 5.4 of the Ordinance.

(b) The Airport Consultant shall give its written approval of the issuance of such additional parity bonds and a copy of such approval shall be mailed promptly by the City to the manager of the underwriting group purchasing the additional senior bonds.

(c) The net revenues derived by the City from the operation of its Airports, as said net revenues are hereinafter in this paragraph defined, for a period of 12 consecutive months out of the last 15 months immediately preceding the date on which the Council shall find and declare it advisable to issue additional revenue bonds,

(i) for so long as any of the Series 1995 Bonds and the Series 1997A Bonds remain Outstanding, (A) shall have been not less than one and thirty-five hundredths (1.35) times the average annual fiscal year requirements for principal and interest on all general improvement airport revenue bonds of the City then outstanding, and shall also be sufficient to provide at least one times coverage of the City's obligations with respect to Policy Costs (as defined in the Senior Bond Ordinances) due and owing, if any, and (B) said net revenues for the period aforesaid when added to the estimated annual net revenues of the facilities to be constructed or acquired with the proceeds of the additional revenue bonds proposed to be issued, for the first full year of operation of said facilities, shall equal not less than one and thirty-five hundredths (1.35) times the average annual fiscal year debt service requirements for principal and interest on all general improvement airport revenue bonds of the City then outstanding and also on the additional parity bonds proposed to be issued, and shall also be sufficient to provide at least one times coverage of the City's obligations with respect to Policy Costs (as defined in the Senior Bond Ordinances) due and owing, if any, said estimate to be made by the Airport Consultant and a copy thereof to be sent promptly by the Airport Consultant to the manager of the underwriting group purchasing the Bonds herein authorized.

(ii) for so long as any of the Series 1999A Bonds, the Series 2003A Bonds, the Series 2003B Bonds and the Series 2004E Bonds remain Outstanding, (A) shall have been not less than one and twenty-five hundredths (1.25) times the average annual fiscal year requirements for principal and interest on all general improvement airport revenue bonds of the City then outstanding, and shall also be sufficient to provide at least one times coverage of the City's obligations with respect to Policy Costs (as defined in the Senior Bond Ordinances) due and owing, if any, and (B) said net revenues for the period aforesaid when added to the estimated annual net revenues of the facilities to be constructed or acquired with the proceeds of the additional revenue bonds proposed to be issued, for the first full year of operation of said facilities, shall equal not less than one and twenty-five hundredths (1.25) times the average annual fiscal year debt service requirements for principal and interest on all general improvement airport revenue bonds of the City then outstanding and also on the additional parity bonds proposed to be issued, and shall also be sufficient to provide at least one times coverage of the City's obligations with respect to Policy Costs (as defined in the Senior Bond Ordinances) due and owing, if any, said

estimate to be made by the Airport Consultant and a copy thereof to be sent promptly by the Airport Consultant to the manager of the underwriting group purchasing the Bonds herein authorized.

(d) In addition to meeting the requirements of either Subsection (c)(i) or (c)(ii) above, the net revenues derived by the City from the operation of its Airports, as said net revenues are hereinafter in this paragraph defined, for a period of 12 consecutive months out of the last 15 months immediately preceding the date on which the Council shall find and declare it advisable to issue additional revenue bonds, when added to the estimated annual net revenues of the facilities to be constructed or acquired with the proceeds of the additional revenue bonds proposed to be issued, for the first full year of operation of said facilities, shall have been not less than one and ten hundredths (1.10) times the average annual fiscal year debt service requirements for principal and interest on all general improvement airport revenue bonds of the City then outstanding (including all subordinate bonds) and also on the additional parity bonds proposed to be issued, said estimate to be made by the Airport Consultant and a copy thereof to be sent promptly by the Airport Consultant to the manager of the underwriting group purchasing the additional subordinate Bonds herein authorized.

The average annual debt service requirements for principal and interest on the City's outstanding general improvement airport revenue bonds and on the additional bonds to be issued shall be calculated by dividing the aggregate debt service requirements on the City's outstanding general improvement airport revenue bonds and on the additional bonds to be issued, by the number of years remaining until the last of such bonds matures. The term "net revenues" for the purposes of this paragraph (c) shall be construed as gross revenues less only the reasonable expenses of operation, maintenance and repair of the Airports, but before any other payments or charges. For the purpose of calculating the average annual fiscal year debt service requirements on all of the City's outstanding general improvement airport revenue bonds as required by the tests in subsection (c)(i) and (c)(ii), payments of principal and interest on all of the City's outstanding general improvement airport revenue bonds that will be junior and subordinate to the Outstanding Senior Bonds, if any, shall be excluded. If the City shall issue additional General Improvement Airport Revenue Bonds for the purposes aforesaid, the rentals, fees and charges derived by the City from the general facilities constructed or acquired with the proceeds of such additional revenue bonds shall accrue and be paid and credited to the Kansas City Airports Fund.

Additional General Improvement Airport Revenue Bonds of the City issued in conformity with the conditions specified in the Ordinance shall stand on a parity with the Outstanding Senior Bonds and shall enjoy complete equality of lien on and claim against the Revenues of the Airports with the Outstanding Senior Bonds and the City may make equal provision for paying said bonds and the interest thereon out of moneys in the Kansas City Airports Fund and may likewise provide for the creation of appropriate Interest and Principal Accounts and Bond Reserve Accounts for the payment and security of such additional bonds and the interest thereon out of moneys in the Kansas City Airports Fund.

**Additional Subordinate Bonds.** The City covenants and agrees that so long as any of the Bonds remain Outstanding, it will not issue any additional General Improvement Airport Revenue Bonds or other obligations which stand on a parity or equality with the Bonds except in accordance with the following conditions and provisions:

(a) There shall be no default by the City in the payment of any sums required at the time to be paid by the City under the provisions of Section 5.4 or Section 5.5 of the Ordinance.

(b) The City shall not be in default in the performance of any other covenant or agreement contained in the Ordinance

(c) The Airport Consultant shall give its written approval of the issuance of such additional parity bonds and a copy of such approval shall be mailed promptly by the City to the manager of the underwriting group purchasing the additional subordinate Bonds.

(d) For so long as any of the Series 2005C Bonds remain Outstanding, the net revenues derived by the City from the operation of its Airports, as said net revenues are hereinafter in this paragraph defined, for a period of 12 consecutive months out of the last 15 months immediately preceding the date on which the Council shall find and declare it advisable to issue additional revenue bonds, when added to the estimated annual net revenues of the facilities to be constructed or acquired with the proceeds of the additional revenue



bonds proposed to be issued, for the first full year of operation of said facilities, shall equal not less than one and ten hundredths (1.10) times the average annual fiscal year debt service requirements for principal and interest on all general improvement airport revenue bonds of the City then outstanding (including all subordinate bonds standing on a parity with the Bonds) and also on the additional parity bonds proposed to be issued, said estimate to be made by the Airport Consultant and a copy thereof to be sent promptly by the Airport Consultant to the manager of the underwriting group purchasing the additional subordinate Bonds herein authorized.

The average annual debt service requirements for principal and interest on the City's outstanding general improvement airport revenue bonds and on the additional bonds to be issued shall be calculated by dividing the aggregate debt service requirements on the City's outstanding general improvement airport revenue bonds and on the additional bonds to be issued, by the number of years remaining until the last of such bonds matures. The term "net revenues" for the purposes of this paragraph (c) shall be construed as gross revenues less only the reasonable expenses of operation, maintenance and repair of the Airports, but before any other payments or charges. For the purpose of calculating the average annual fiscal year debt service requirements on all of the City's outstanding general improvement airport revenue bonds as required by the tests in Section 8.2 of the Ordinance, payments of principal and interest on all of the City's outstanding general improvement airport revenue bonds that will be junior and subordinate to the Outstanding Senior Bonds, if any, shall be included. If the City shall issue additional General Improvement Airport Revenue Bonds for the purposes aforesaid, the rentals, fees and charges derived by the City from the general facilities constructed or acquired with the proceeds of such additional revenue bonds shall accrue and be paid and credited to the Kansas City Airports Fund.

In the event of the issuance of any such junior and subordinate revenue bonds or obligations of the City in conformity with the provisions aforesaid, the City, subject to the provisions aforesaid, may make provision for paying the principal of and interest on said revenue bonds or obligations as the same become due out of any available moneys in the Kansas City Airports Fund, provided, however, that the City shall have made all payments and credits at the time required to be made and credited by it under the provisions of the Senior Bond Ordinances.

**Amendments.** The provisions of the Bonds and the provisions of the Ordinance may be modified or amended at any time by the City with the written consent of the Bond Insurer; provided, however, that no such modification or amendment shall permit or be construed as permitting (a) the extension of the maturity of the principal of the Bonds, or the extension of the maturity of any interest on the Bonds, or (b) a reduction in the principal amount of the Bonds or the rate of interest thereon, or (c) a reduction in the aggregate principal amount of the Bonds, the consent of the Holders of all of the Bonds then Outstanding and the Bond Insurer of which is required for any such amendment or modification.. Every amendment or modification of a provision of the Bonds or of the Ordinance to which the written consent of the Bond Insurer or the Holders of all of the Bonds then Outstanding is given shall be expressed in an ordinance of the City amending or supplementing the provisions of the Ordinance and shall be deemed to be a part of the Ordinance, and a copy of which shall be sent to Standard and Poor's Corporation. It shall not be necessary to note on any of the Outstanding Bonds any reference to such amendment or modification, if any. A certified copy of every such amendatory or supplemental ordinance, if any, and a certified copy of the Ordinance shall always be kept on file in the office of the City Clerk and shall be made available for inspection by the Holder of any Bond or prospective purchaser or holder of any Bond authorized by the Ordinance, and upon payment of the reasonable cost of preparing the same, a certified copy of any such amendatory or supplemental ordinance or of the Ordinance will be sent by the City Clerk to any such Bondholder or prospective Bondholder. A copy of any such amendatory or supplemental ordinance shall be provided to the Bond Insurer within 30 days of its passage.

**Acceleration of Maturity in Event of Default.** The City agrees that if it shall default in the payment of the principal of or interest on any of the Bonds as the same shall become due and such default shall continue for a period of thirty (30) days, or if the City or its governing body or any of the officers, agents or employees thereof shall fail or refuse to comply with any of the provisions of the Ordinance or of the statutes of the State of Missouri, then, at any time thereafter and while such default shall continue, the Bond Insurer, or the Holders of twenty-five per cent (25%) in amount of the Bonds then Outstanding may with the prior written consent of the Bond Insurer and by written notice to the City filed in the office of the City Clerk or delivered in person to said City Clerk, may declare the principal of all Bonds then Outstanding to be due and payable immediately, and upon any such declaration given as aforesaid, all of the Bonds shall become and be immediately due and payable, anything in the Ordinance or in the Bonds contained to the



contrary notwithstanding. This provision, however, is subject to the condition that if at any time after the principal of said Bonds shall have been so declared to be due and payable, all arrears of interest upon all Outstanding Bonds, except interest accrued but not yet due on such Bonds, and all arrears of principal upon all of said Bonds shall have been paid in full, and all other defaults, if any, by the City under the provisions of the Ordinance and under the provisions of the statutes of the State of Missouri shall have been cured, then and in every such case, the Bond Insurer, or the Holders of a majority in principal amount of the Bonds then Outstanding, but only with the written approval of the Bond Insurer, by written notice to the City given as specified herein, may rescind and annul such declaration and its consequences, but no such rescission or annulment shall extend to or affect any subsequent default or impair any rights consequent thereon.

**Ordinance Constitutes Contract, Remedies, Delay or Omission Not Waiver.** The provisions of the Ordinance, including the covenants and agreements contained herein, shall constitute a contract between the City and the Holders of the Bonds and the Bond Insurer or the Holder or Holders of not less than ten per cent (10%) of the Bonds at the time Outstanding shall have the right, for the equal benefit and protection of all Holders of Bonds similarly situated, with the prior written consent of the Bond Insurer, to take any of the following actions:

(a) By mandamus or other suit, action or proceeding at law or in equity to enforce his or their rights against the City and its officers, agents and employees, and to require and compel the City and its officers, agents and employees, to perform all duties and obligations required by the provisions of said ordinance or by the Constitution and laws of the State of Missouri.

(b) By suit, action or other proceeding in equity or at law to require the City, its officers, agents and employees to account as if they were the trustees of an express trust.

(c) By suit, action or other proceeding in equity or at law to enjoin any acts or things which may be unlawful or in violation of the rights of the holders of the Bonds.

**No Obligations to Levy Taxes.** Nothing contained in the Ordinance, however, shall be construed as imposing on the City any duty or obligation to levy any taxes either to meet any obligation incurred herein or to pay the principal of or interest on the Bonds.

**Remedies Cumulative.** No remedy conferred hereby upon any Holder of the Bonds is intended to be exclusive of any other remedy, but each such remedy is cumulative and in addition to every other remedy and may be exercised without exhausting and without regard to any other remedy conferred hereby. No waiver of any default or breach of duty or contract by the Holder of any Bond or the Bond Insurer shall extend to or affect any subsequent default or breach of duty or contract or shall impair any rights or remedies thereon. No delay or omission of the Holder or the Bond Insurer to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein. Every substantive right and every remedy conferred upon the Holders of the Bonds and the Bond Insurer may be enforced and exercised from time to time and as often as may be deemed expedient. In case any suit, action or proceeding to enforce any right or exercise any remedy shall be brought or taken and then discontinued or abandoned, or shall be determined adversely to the Holders of the Bonds or the Bond Insurer, then, and in every such case, the City and the Holders of the Bonds and the Bond Insurer shall be restored to their former positions and rights and remedies as if no such suit, action or other proceeding had been brought or taken.

**Bond Insurance Policy.** The Bonds will be insured by the Bond Insurer for the timely payment of all interest and principal at scheduled maturity in accordance with the terms of the Bond Insurance Policy. All amounts received under the Bond Insurance Policy shall be used solely for the payment of principal of and interest on the Bonds.

**Payments Under Bond Insurance Policy.**

(a) In the event that, on the second Business Day, and again on the Business Day, prior to any payment date on the Bonds, the Paying Agent has not received sufficient moneys to pay all principal of and interest on the Bonds due on the second following or following, as the case may be, Business Day, the Paying Agent shall immediately notify the Bond Insurer or its designee on the same Business Day by telephone or telecopy, confirmed in writing by registered or certified mail, of the amount of the deficiency.

(b) If the deficiency is made up in whole or in part prior to or on the payment date, the Paying Agent shall so notify the Bond Insurer or its designee.

(c) In addition, if the Paying Agent has notice that any bondowner has been required to disgorge payments of principal or interest on the Bonds to a trustee in bankruptcy or creditors or others pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such bondowner within the meaning of any applicable bankruptcy laws, then the Paying Agent shall notify the Bond Insurer or its designee of such fact by telephone or telecopy notice, confirmed in writing by registered or certified mail.

(d) The Paying Agent is irrevocably designated, appointed, directed and authorized to act as attorney-in-fact for owners of the Bonds as follows:

(1) If and to the extent there is a deficiency in amounts required to pay interest on the Bonds, the Paying Agent shall (A) execute and deliver to U.S. Bank Trust National Association, or its successors under the applicable Bond Insurance Policy (the "Insurance Paying Agent"), in form satisfactory to the Insurance Paying Agent, an instrument appointing the Bond Insurer as agent for such owners in any legal proceeding related to the payment of such interest and an assignment to the Bond Insurer of the claims for interest to which such deficiency relates and which are paid by the Bond Insurer, (B) receive as designee of the respective owners (and not as Paying Agent) in accordance with the tenor of the applicable Bond Insurance Policy payment from the Insurance Paying Agent with respect to the claims for interest so assigned, and (C) disburse the same to such respective owners; and

(2) If and to the extent of a deficiency in amount required to pay principal of the Bonds, the Paying Agent shall (A) execute and deliver to the Insurance Paying Agent in form satisfactory to the Insurance Paying Agent an instrument appointing the Bond Insurer as agent for such owners in any legal proceeding relating to the payment of such principal and an assignment to the Bond Insurer of any of the Bonds surrendered to the Insurance Paying Agent of so much of the principal amount thereof as has not previously been paid or for which moneys are not held by the Paying Agent and available for such payment (but such assignment shall be delivered only if payment from the Insurance Paying Agent is received), (B) receive as designee of the respective owners (and not as Paying Agent) in accordance with the tenor of the applicable Bond Insurance Policy payment therefor from the Insurance Paying Agent, and (C) disburse the same to such owners.

(e) Payments with respect to claims for interest on and principal of Bonds disbursed by the Paying Agent from proceeds of the applicable Bond Insurance Policy shall not be considered to discharge the obligation of the City with respect to such Bonds, and the Bond Insurer shall become the owner of such unpaid Bonds and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of this subsection or otherwise.

(f) Irrespective of whether any such assignment is executed and delivered, the City and the Paying Agent agree for the benefit of the Bond Insurer that:

(1) They recognize that to the extent the Bond Insurer makes payments, directly or indirectly (as by paying through the Paying Agent), on account of principal of or interest on the Bonds, the Bond Insurer will be subrogated to the rights of such owners to receive the amount of such principal and interest from the City, with interest thereon as provided and solely from the sources stated in the Ordinance and the Bonds; and

(2) They will accordingly pay to the Bond Insurer the amount of such principal and interest (including principal and interest covered under subparagraph (ii) of the first paragraph of the Bond Insurance Policy, which principal and interest shall be deemed past due and not to have been paid), with interest thereon as provided in the Ordinance and the Bonds, but only from the sources and in the manner provided herein for the payment of principal of and interest on the Bonds to owners, and

will otherwise treat the Bond Insurer as the owner of such rights to the amount of such principal and interest.

**Notices To Bond Insurer and Rating Agencies.** The following notices and documents shall be delivered to the Bond Insurer and Rating Agency as indicated:

- (a) The City shall give the Bond Insurer written notice of any proposed amendment or supplement to the Ordinance.
- (b) The City shall give the Bond Insurer written notice of the resignation or removal of the Paying Agent and the appointment of a successor thereto.
- (c) The City shall give the Bond Insurer at least 15 business days notice of the advance refunding of the Bonds.
- (d) The Bond Insurer shall receive copies of all notices that are required hereunder to be given to the Paying Agent or to any of the bondowners and, on an annual basis, copies of the City's audited financial statements and annual budget. All notices required to be given to the Bond Insurer under the Ordinance shall be in writing and shall be sent by registered or certified mail addressed to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504, Attention: Surveillance.
- (e) The City shall give the Bond Insurer written notice of the occurrence of any event of default under the Ordinance.
- (f) Any notices required to be given by any party hereunder, should also be given to the Bond Insurer, Attn: Insured Portfolio Management.
- (g) Copies of any amendments made to the documents executed in connection with the issuance of the Bonds which are consented to by the Bond Insurer shall be sent to each rating agency at the time providing a rating on the Bonds.
- (h) In connection with the issuance of Additional Bonds, a copy of the disclosure document, if any, circulated with respect to such Additional Bonds shall be delivered to the Bond Insurer.

**Reimbursement of Bond Insurer.** The City agrees to reimburse the Bond Insurer immediately and unconditionally upon demand, to the extent permitted by law, for all reasonable expenses, including attorneys' fees and expenses, incurred by the Bond Insurer in connection with (i) the enforcement by the Bond Insurer of the City's obligations, or the preservation or defense of any rights of the Bond Insurer, under the Ordinance and any other document executed in connection with the issuance of the Bonds, and (ii) any consent, amendment, waiver or other action with respect to the Ordinance or any related document, whether or not granted or approved, together with interest on all such expenses from and including the date incurred to the date of payment at Citibank's Prime Rate plus 3% or the maximum interest rate permitted by law, whichever is less. In addition, the Bond Insurer reserves the right to charge a fee in connection with its review of any such consent, amendment or waiver, whether or not granted or approved.

**Use of MBIA Name.** The City agrees not to use MBIA's name in any public document including, without limitation, a press release or presentation, announcement or forum without MBIA's prior consent; provided however, such prohibition on the use of MBIA's name shall not relate to the use of the Bond Insurer's standard approved form of disclosure in public documents issued in connection with the Bonds to be issued in accordance with the terms of the Commitment; and provided further such prohibition shall not apply to the use of MBIA's name in order to comply with public notice, public meeting or public reporting requirements.

**MBIA Consent to Tender or Purchase.** The City shall not enter into any agreement nor shall it consent to or participate in any arrangement pursuant to which the Bonds are tendered or purchased for any purpose other than the redemption and cancellation or legal defeasance of such Bonds without the prior written consent of MBIA.

**Rights of the Bond Insurer.** The provisions set forth in the Ordinance shall apply for so long as the Bonds are Outstanding and the Bond Insurance Policy remains in effect, the Bond Insurer is not insolvent and the Bond Insurer is not in default of its payment obligations under the Bond Insurance Policy, unless any such provision is waived by the Bond Insurer or modified by agreement between the Bond Insurer and the City. Anything contained in the Ordinance or in the Bonds to the contrary notwithstanding, the existence of all rights given to the Bond Insurer under the Ordinance with respect to the giving of consents or approvals or the direction of proceedings are expressly conditioned upon its timely and full performance of the Bond Insurance Policy. Any such rights shall not apply if at any time the Bond Insurer is in default with respect to any payment under the Bond Insurance Policy or is insolvent; provided, that the Ordinance shall not in any way limit or affect the rights of the Bond Insurer as a bondowner, as subrogee of a bondowner or as assignee of a bondowner or to otherwise be reimbursed and indemnified for its costs and expenses and other payment on or in connection with the Bonds or the Bond Insurance Policy either by operation of law or at equity or by contract.

**Defeasance.** When all of the Bonds shall have been paid and discharged, then the requirements contained in the Ordinance and the pledge of Revenues made hereunder and all other rights granted hereby shall terminate. The Bonds shall be deemed to have been paid and discharged within the meaning of the Ordinance if there shall have been deposited with the Paying Agent, or other bank located in the State of Missouri and having full trust powers, at or prior to the Stated Maturity or Redemption Date of said Bonds, in trust for and irrevocably appropriated thereto, (i) moneys, (ii) United States of America Treasury bills, notes, and bonds, as traded on the open market, or (iii) state and local government series issued by the United States Treasury ("SLGS") and/or zero coupon United States Treasury bonds ("Defeasance Securities") which, together with the interest to be earned on any such obligations, will be sufficient for the payment of the principal of said Bonds and interest accrued to the Stated Maturity or Redemption Date, as the case may be, or if default in such payment shall have occurred on such date, then to the date of the tender of such payments, provided always that if any such Bonds shall be redeemed prior to the Stated Maturity thereof, the City shall have elected to redeem such Bonds and notice of such redemption shall have been given. Any moneys and obligations which at any time shall be deposited with said Paying Agent or other bank by or on behalf of the City, for the purpose of paying and discharging any of the Bonds, shall be and are hereby assigned, transferred and set over to such Paying Agent or other bank in trust for the respective Holders of the Bonds, and such moneys shall be and are hereby irrevocably appropriated to the payment and discharge thereof. All moneys deposited with said Paying Agent or other bank shall be deemed to be deposited in accordance with and subject to all of the provisions contained in the Ordinance. The Bond Insurer shall be provided with an opinion of counsel acceptable to the Bond Insurer that the Bonds have been legally defeased and that the escrow agreement, if any, establishing the defeasance operates to legally defease the Bonds within the meaning of the Ordinance. The Bond Insurer shall be provided with an opinion of counsel acceptable to the Bond Insurer that the Bonds have been legally defeased and that the escrow agreement, if any, establishing the defeasance operates to legally defease the Bonds within the meaning of the Ordinance.

**Consents and Other Instruments From Bondholders.** Any consent, request, direction, approval, objection or other instrument required by the Ordinance to be signed and executed by the Bondholders may be in any number of concurrent writings of similar tenor and may be signed or executed by such Bondholders in person or by an agent appointed in writing. Proof of the execution of any such consent, request, direction, approval, objection or other instrument or writing appointing any such agent and of the ownership of the Bonds, if made in the following manner, shall be sufficient for any of the purposes of the Ordinance, and shall be conclusive in favor of the City and the Paying Agent with regard to any action taken under such request or other instrument, namely:

(a) The fact and date of the execution by any Person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such writing acknowledged before him the execution thereof, or by affidavit of any witness to such execution.

(b) The fact of the Bonds and the amount or amounts, numbers and other identification of such Bonds, and the date of holding the same shall be proved by the Bond Register for the Bonds maintained by the Paying Agent.

**Governing Law.** The Ordinance shall be governed exclusively by and construed in accordance with the applicable laws of the State of Missouri.

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**APPENDIX B**  
**SPECIMEN RESERVE POLICY**

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**ANNEX A**  
**DEBT SERVICE RESERVE**  
**SURETY BOND**

**MBIA Insurance Corporation**  
**Armonk, New York 10504**

Surety Bond No. [POLICY NO.]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this Surety Bond, hereby unconditionally and irrevocably guarantees the full and complete payments that are to be applied to payment of principal of and interest on the Obligations (as hereinafter defined) and that are required to be made by or on behalf of [NAME OF ISSUER] (the "Issuer") under the [TITLE OF THE DOCUMENT] (the "Document") to [NAME OF PAYING AGENT], (the "Paying Agent"), as such payments are due but shall not be so paid, in connection with the issuance by the Issuer of [TITLE OF THE OBLIGATIONS] (the "Obligations"), provided, that the amount available hereunder for payment pursuant to any one Demand for Payment (as hereinafter defined) shall not exceed [a: FIXED COVERAGE [Dollar Amount of Coverage] or the debt service reserve fund requirement for the Obligations, whichever is less (the "Surety Bond Limit"); provided, further, that the amount available at any particular time to be paid to the Paying Agent under the terms hereof (the "Surety Bond Coverage") shall be reduced and may be reinstated from time to time as set forth herein.] or [b: VARIABLE COVERAGE the annual amount set forth for the applicable bond year on Exhibit A attached hereto (the "Surety Bond Limit"); provided, further, that the amount available at any particular time to be paid to the Paying Agent under the terms hereof (the "Surety Bond Coverage") shall be reduced and may be reinstated from time to time as set forth herein.]

1. As used herein, the term "Owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the applicable paying agent, the Issuer or any designee of the Issuer for such purpose. The term "Owner" shall not include the Issuer or any person or entity whose obligation or obligations by agreement constitute the underlying security or source of payment for the Obligations.

2. Upon the later of: (i) three (3) days after receipt by the Insurer of a demand for payment in the form attached hereto as Attachment 1 (the "Demand for Payment"), duly executed by the Paying Agent; or (ii) the payment date of the Obligations as specified in the Demand for Payment presented by the Paying Agent to the Insurer, the Insurer will make a deposit of funds in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment to the Paying Agent, of amounts that are then due to the Paying Agent (as specified in the Demand for Payment) subject to the Surety Bond Coverage.

3. Demand for Payment hereunder may be made by prepaid telecopy, telex, TWX or telegram of the executed Demand for Payment c/o the Insurer. If a Demand for Payment made hereunder does not, in any instance, conform to the terms and conditions of this Surety Bond, the Insurer shall give notice to the Paying Agent, as promptly as reasonably practicable, that such Demand for Payment was not effected in accordance with the terms and conditions of this Surety Bond and briefly state the reason(s) therefor. Upon being notified that such Demand for Payment was not effected in accordance with this Surety Bond, the Paying Agent may attempt to correct any such nonconforming Demand for Payment if, and to the extent that, the Paying Agent is entitled and able to do so.

4. The amount payable by the Insurer under this Surety Bond pursuant to a particular Demand for Payment shall be limited to the Surety Bond Coverage. The Surety Bond Coverage shall be reduced automatically to the extent of each payment made by the Insurer hereunder and will be reinstated to the extent of each reimbursement of the Insurer pursuant to the provisions of Article II of the Financial Guaranty Agreement dated the date hereof between the Insurer and the [ISSUER OR OBLIGOR] (the "Financial Guaranty Agreement"); provided, [ANNUAL PREMIUM OPTION: that no premium is due and unpaid on this Surety Bond and] that in no event shall such reinstatement exceed the Surety Bond Limit. The Insurer will notify the Paying Agent, in writing within five (5) days of such reimbursement, that the Surety Bond Coverage has been reinstated to the extent of such reimbursement pursuant to the Financial Guaranty Agreement and such reinstatement shall be effective as of the date the Insurer gives such notice. The notice to the Paying Agent will be substantially in the form attached hereto as Attachment 2.

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**APPENDIX C**  
**SPECIMEN BOND INSURANCE POLICY**

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# FINANCIAL GUARANTY INSURANCE POLICY

**MBIA Insurance Corporation**  
**Armonk, New York 10504**

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless the Insurer elects, in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]  
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Insurer, or any designee of the Insurer for such purpose. The term owner shall not include the Insurer or any party whose agreement with the Insurer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

**MBIA Insurance Corporation**

\_\_\_\_\_  
President

\_\_\_\_\_  
Assistant Secretary

SPECIMEN

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**EXHIBIT D**

**FORM OF CONTINUING DISCLOSURE AGREEMENT**

**\$57,020,000  
SUBORDINATED TAXABLE AIRPORT IMPROVEMENT  
AND REFUNDING REVENUE BONDS  
(CONSOLIDATED RENTAL CAR FACILITY PROJECT)  
SERIES 2005C**

**CONTINUING DISCLOSURE AGREEMENT**

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by the City of Kansas City, Missouri (the "City"), in connection with the issuance of \$57,020,000 principal amount of Subordinated Taxable Airport Improvement and Refunding Revenue Bonds, (Consolidated Rental Car Facility Project) Series 2005C (the "Bonds"). The Bonds are being issued pursuant to Ordinance Nos. 050299 and 05 \_\_\_\_ (collectively, the "Ordinance").

In order to permit the Underwriters to comply with the provisions of Rule 15c2-12 of the Securities Exchange Commission, as amended, in connection with the public offering of the Bonds, the City, in consideration of the mutual covenants herein contained and other good and lawful consideration, hereby covenants and agrees, for the sole and exclusive benefit of holders and Beneficial Owners of the Bonds, as follows:

**Section 1. Definitions.** Capitalized terms used but not defined herein as follows shall have the meaning ascribed to them in the Ordinance.

"Annual Information" shall mean the information specified in Section 3 hereof.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as owner of any Bonds for federal income tax purposes.

"Bond Insurer" means MBIA Insurance Corporation, Armonk, New York, a New York stock insurance company, and its successors and assigns.

"Bonds" shall mean the Subordinated Taxable Airport Improvement and Refunding Revenue Bonds, (Consolidated Rental Car Facility Project) Series 2005C of the City.

"Central Post Office" means DisclosureUSA, any successor thereto, or any other conduit entity recognized, authorized or approved by the Securities and Exchange Commission for the submission of Annual Reports and Material Events notices to the Repositories. The Central Post Office currently approved by the Securities and Exchange Commission is set forth on **Exhibit A**.

"City" shall mean the City of Kansas City, Missouri, a municipality of the State of Missouri constituting a political subdivision, and any successor thereto.

“GAAP” shall mean generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board.

“GAAS” shall mean generally accepted auditing standards as in effect from time to time in the United States.

“MSRB” shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended.

“Obligated Person” shall mean the person (including an issuer of separate securities) that is committed by contract or other arrangements structured to support payment of all or part of the obligations under the municipal securities.

“Official Statement” shall mean the Official Statement relating to the Bonds dated March 31, 2005.

“Ordinance” shall mean the ordinance of the City authorizing the Bonds, as originally executed or as it may be supplemented or amended from time to time.

“Repository” shall mean each nationally recognized municipal securities repository within the meaning of Rule 15c2-12. The national repositories currently approved by the Securities and Exchange Commission are set forth in **Exhibit A**.

“Rule 15c2-12” shall mean Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended and as in effect on the date of this Disclosure Agreement, including any official interpretations thereof issued either before or after the effective date of this Disclosure Agreement which are applicable to this Disclosure Agreement.

“State Depository” shall mean the state information depository for the State of Missouri, if and to the extent it has been established and is in existence and operating as a state information depository within the meaning of Rule 15c2-12.

“Underwriters” shall mean First Albany Capital Inc.

## **Section 2. Obligations to Provide Continuing Disclosure.**

### **(i) Obligations of the City.**

(a) The City hereby undertakes, for the benefit of the holders and Beneficial Owners of the Bonds, to provide, no later than 270 days after the end of each of its fiscal years, commencing with the fiscal year ending April 30, 2005, to each Repository, to the Bond Insurer and to the State Depository, if any, the Annual Information relating to such fiscal year.

(b) The City hereby undertakes, for the benefit of the holders and Beneficial Owners of the Bonds, to provide, no later than 270 days after the end of each of its fiscal years, commencing with the fiscal year ending April 30, 2005, audited financial statements to each Repository, the Bond Insurer and to the State Depository, if any, provided, however, that if audited financial statements are not then available, unaudited financial statements shall be provided no later than 270 days after the end of each of its fiscal years and the audited financial statements shall be delivered to each Repository and to the State Depository if and when they become available.

(c) The Paying Agent, if other than an officer of the City, shall notify the City of the occurrence of any of the eleven events with respect to the Bonds listed in Section 2(i)(d)(1) through (11) hereof, if material, promptly upon becoming aware of the occurrence of any such event.

(d) The City hereby undertakes, for the benefit of the holders and Beneficial Owners of the Bonds, to provide to each Repository, the Bond Insurer or to the MSRB, and to the State Depository, if any, in a timely manner, notice of any of the following eleven events with respect to the Bonds, if material:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (7) Modifications to the rights of holders of the Bonds;
- (8) Bond calls;
- (9) Defeasance;
- (10) Release, substitution, or sale of property securing repayment of the securities; and
- (11) Rating changes.

(e) The City shall also provide to the State Depository, if any, and to each NRMSIR or to the MSRB, as promptly as practicable notice of any failure of the City to provide the NRMSIRs and the SID, if any, the Annual Information required by paragraphs (a) and (b) of this Section 2(i) on or before the date specified.

(ii) Termination or Modification of Disclosure Obligation. The obligations of the City hereunder may be terminated if the City is no longer an "obligated person" with respect to the Bonds within the meaning of Rule 15c2-12, as amended from time to time. Upon any such termination, the City shall provide written notice thereof to each Repository, the State Depository, if any, and the MSRB.

(iii) Other Information. Nothing herein shall be deemed to prevent the City from disseminating any other information in addition to that required hereby in the manner set forth herein or in any other manner. If the City should disseminate any such additional information, the City shall have no obligation hereunder to update such information or include it in any future materials disseminated hereunder.

### **Section 3. Annual Information.**

(i) Specified Information. The Annual Information shall consist of the Comprehensive Annual Financial Report of the Airports Fund, which includes the Audited Financial Statements of the Airports Fund.

(ii) **Incorporation by Reference.** All or any portion of the Annual Information of the City may be provided in the Annual Information by specific incorporation by reference to any other documents which have been filed with the Repositories, the State Depository, if any, the Securities and Exchange Commission and the MSRB.

(iii) **Informational Categories.** The requirements contained in this Agreement under Section 3(i)(b) are intended to set forth a general description of the type of financial information and operating data to be provided by the City and such descriptions are not intended to state more than general categories of financial information and operating data; and where the provisions of Section 3(i)(b) call for information that no longer can be generated or relates to operations that have been materially changed or discontinued, a statement to that effect shall be provided.

#### **Section 4. Financial Statements.**

The annual financial statements of the City for each fiscal year shall be prepared in accordance with GAAP (unless applicable accounting principles are otherwise disclosed) and audited by an independent accounting firm in accordance with GAAS (but only if audited financial statements are otherwise available for such fiscal year). The annual financial statements may be provided by specific incorporation by reference to any other documents which have been filed with the Repositories, the State Depository, if any, the Securities and Exchange Commission and the MSRB.

#### **Section 5. Remedies.**

If the City should fail to comply with any provision of this Disclosure Agreement, then any holder or Beneficial Owner of Bonds may enforce, for the equal benefit and protection of all the holders or Beneficial Owners of the Bonds similarly situated, by mandamus or other suit or proceeding at law or in equity, against such party and any of its officers, agents and employees, and may compel such party or any such officers, agents or employees to perform and carry out their duties under this Disclosure Agreement; provided that the sole and exclusive remedy for breach of this Disclosure Agreement shall be an action to compel specific performance of the obligations of such party hereunder, and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances; and provided, further, that the rights of any holder or Beneficial Owner to challenge the adequacy of the information provided in accordance with Sections 2 and 3 hereunder are conditioned upon the provisions of the Ordinance with respect to the enforcement of remedies of holders upon the occurrence of an Event of Default under Section 10.1 thereof as though such provisions applied hereunder. Failure of any party to perform its obligations hereunder shall not constitute an Event of Default under the Ordinance or any agreement executed and delivered in connection with the issuance of the Bonds.

#### **Section 6. Parties in Interest.**

The provisions of this Disclosure Agreement shall inure solely to the benefit of holders and Beneficial Owners from time to time of the Bonds, the City and the Paying Agent and shall create no rights in any other person or entity.

#### **Section 7. Amendments.**

(i) Without the consent of any of the holders or Beneficial Owners of the Bonds, the City, and the Paying Agent, at any time and from time to time, may together enter into amendment or changes to this Disclosure Agreement for any purpose, if:



(a) the amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the City or any type of business or affairs it conducts;

(b) the undertakings set forth herein, as amended, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of Rule 15c2-12 on the date hereof, after taking into account any amendments to, or interpretation by the staff of the Securities and Exchange Commission of, Rule 15c2-12, as well as any change in circumstances; and

(c) the amendment, in the opinion of nationally recognized bond counsel, does not materially impair the interests of the holders or Beneficial Owners of the Bonds.

(ii) Annual Information for any fiscal year containing any amended operating data or financial information for such fiscal year shall explain, in narrative form, the reasons for such amendment and the impact of the change in the type of operating data or financial information in the Annual Information being provided for such fiscal year. If a change in accounting principles is included in any such amendment, such Annual Information shall present a comparison between the financial statements or information prepared on the basis of the amended accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information. To the extent reasonably feasible such comparison shall also be quantitative. A notice of any such change in accounting principles shall be sent in a timely manner by the City to each Repository or to the MSRB, and to the State Depository, if any.

#### **Section 8. Termination.**

This Disclosure Agreement shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on the Bonds shall have been paid in full or the Bonds shall have otherwise been paid or legally defeased pursuant to the Ordinance; provided, however, that if Rule 15c2-12 (or successor provision) shall be amended, modified or changed so that all or any part of the information currently required to be provided thereunder shall no longer be required to be provided thereunder, then such information shall no longer be required to be provided hereunder; and provided, further, that if and to the extent Rule 15c2-12 (or successor provision), or any provision thereof, shall be declared by a court of competent and final jurisdiction to be, in whole or in part, invalid, unconstitutional, null and void, or otherwise inapplicable to the Bonds, then the information required to be provided hereunder, insofar as it was required to be provided by a provision of Rule 15c2-12 so declared, shall no longer be required to be provided hereunder. Upon any legal defeasance, the City shall provide notice of such defeasance to each Repository or to the MSRB, and the State Depository, and such notice shall state whether the Bonds have been defeased to maturity or to redemption and the timing of such maturity or redemption.

#### **Section 9. Central Post Office.**

The City is authorized to use the Central Post Office for the submission of Annual Reports and Material Events notices for so long as there is any Central Post Office recognized, authorized or approved by the Securities and Exchange Commission. Submission of an Annual Report or a Material Events notice by the City to the Central Post Office shall be deemed to satisfy the City's obligations under this Continuing Disclosure Agreement with respect to that Annual Report or Material Events Notice.

#### **Section 10. Notices.**

Any notices or communications to the City may be given as follows:

City of Kansas City, Missouri  
414 E. 12th Street, 1st Floor  
Kansas City, Missouri 64106  
Attention: City Treasurer  
Telephone: (816) 513-1019  
Fax: (816) 513-1020

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

**Section 11. Governing Law.**

**THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF MISSOURI DETERMINED WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAW; PROVIDED, HOWEVER THAT TO THE EXTENT THIS AGREEMENT ADDRESSES MATTERS OF FEDERAL SECURITIES LAWS, INCLUDING RULE 15c2-12, THIS AGREEMENT SHALL BE GOVERNED BY SUCH FEDERAL SECURITIES LAWS AND OFFICIAL INTERPRETATIONS THEREOF.**

**Section 12. Counterparts.**

This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

**Section 13. Electronic Transactions.**

The City agrees that the arrangement described herein may be conducted and related documents may be stored by electronic means.

[The remainder of this page intentionally left blank.]

**IN WITNESS WHEREOF**, the undersigned have duly authorized, executed and delivered this Disclosure Agreement as of the date first above written.

**DATED:** April 14, 2005.

**CITY OF KANSAS CITY, MISSOURI**  
as the Issuer of the Bonds  
and Obligated Person

By: \_\_\_\_\_  
Name: Wanda Gunter  
Title: Acting Director of Finance

## **EXHIBIT A**

### **NATIONALLY RECOGNIZED MUNICIPAL SECURITIES INFORMATION REPOSITORIES**

#### **Bloomberg Municipal Repository**

Bloomberg Business Park  
100 Business Park Drive  
Skillman, New Jersey 08558-3629  
Phone: (609) 279-3225  
Fax: (609) 279-5962(3) or (800) 395-9403  
E-Mail: [Munis@Bloomberg.com](mailto:Munis@Bloomberg.com)

#### **Standard & Poor's Securities Evaluations, Inc. Repository Service**

55 Water Street  
45<sup>th</sup> Floor  
New York, New York 10041-0003  
Phone: (212) 438-4595  
Fax: (212) 438-3975  
E-Mail: [nrmsir\\_repository@sandp.com](mailto:nrmsir_repository@sandp.com)

#### **FT Interactive Data**

Attn: NRMSIR  
100 William Street  
15<sup>th</sup> Floor  
New York, New York 10038  
Phone: (212) 771-6999 or (800) 689-8466  
Fax: (212) 771-7390 (Secondary Market  
Information)  
Fax: (212) 771-7391 (Primary Market  
Information)  
E-Mail: [NRMSIR@ftid.com](mailto:NRMSIR@ftid.com)

#### **DPC Data Inc.**

One Executive Drive  
Fort Lee, New Jersey 07024  
Phone: (201) 346-0701  
Fax: (201) 947-0107  
E-Mail: [nrmsir@dpcdata.com](mailto:nrmsir@dpcdata.com)

## **CENTRAL POST OFFICE**

**Electronic submissions:**  
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Austin, Texas 78701

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**APPENDIX E**  
**FORM OF CO-BOND COUNSEL OPINION**

[Closing Date]

City of Kansas City, Missouri  
Kansas City, Missouri

[Name of Underwriters]  
[City & State of Underwriters]

MBIA Insurance Corporation  
Armonk, New York

RE: City of Kansas City, Missouri, \$57,020,000 Subordinated Taxable Airport Improvement  
and Refunding Revenue Bonds, (Consolidated Rental Car Facility Project) Series 2005C

Ladies and Gentlemen:

We have acted as co-bond counsel in connection with the issuance by the City of Kansas City, Missouri (the "Issuer"), of the above-captioned bonds (the "Bonds"), pursuant to Committee Substitute for Ordinance No. \_\_\_\_\_ (the "Ordinance") adopted by the governing body of the City. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Ordinance.

We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion. As to questions of fact material to our opinion we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Bonds have been duly authorized, executed and delivered by the City and are valid and legally binding special obligations of the City, payable solely from the Revenues (as defined in the Ordinance), and on parity with any Parity Bonds issued or to be issued as provided in the Ordinance. The Bonds do not constitute general obligations of the City nor do they constitute an indebtedness of the City within the meaning of any constitutional or statutory provision, limitation or restriction, and the taxing power of the City is not pledged to the payment of the Bonds.

2. The Ordinance have been duly adopted by the City and constitute valid and legally binding obligations of the City enforceable against the City.

3. The interest on the Series 2005C Bonds is includable in gross income for purposes of federal income taxation

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement) and we express no opinion relating thereto (excepting only the matters set forth as our opinion in the Official Statement).

The rights of the owners of the Bonds and the enforceability of the Bonds and the Ordinance may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent applicable and their enforcement may be subject to the exercise of judicial discretion in appropriate cases.

Very truly yours,



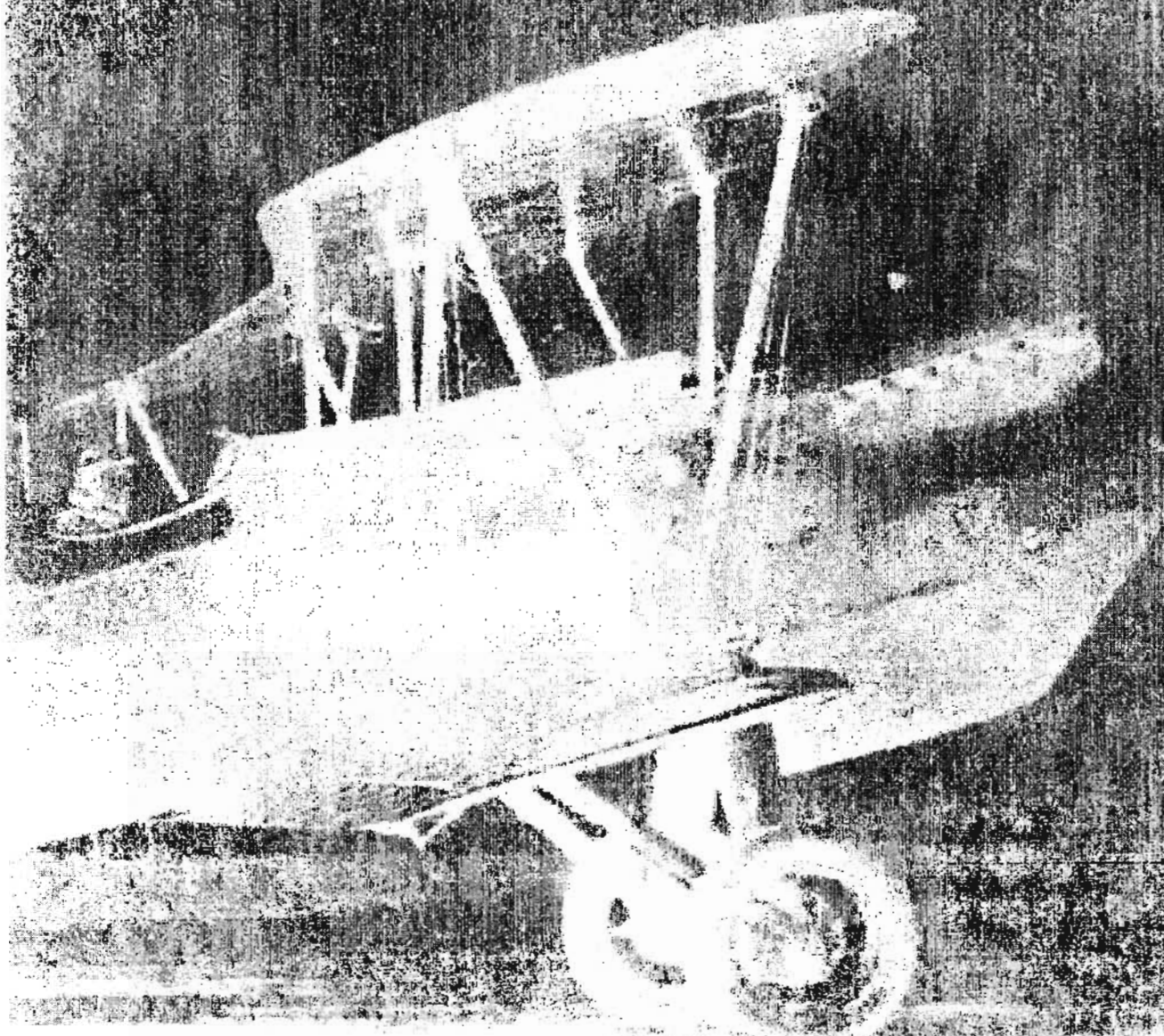
**APPENDIX F**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE AIRPORTS FUND**

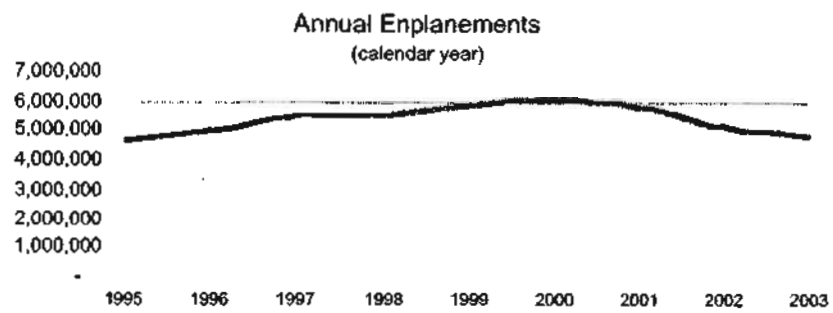
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# Comprehensive Annual Financial Report

For the year ended April 30, 2004



KANSAS CITY  
AVIATION DEPARTMENT



# Comprehensive Annual Financial Report

For the  
Department of Aviation  
an Enterprise Fund of the  
City of Kansas City, Missouri

For the year ended  
April 30, 2004

Prepared by:

Michael F. Zonsius, CPA  
Assistant Director of Aviation - Finance & Accounting

Michael C. Burris  
Deputy Director of Aviation - Finance & Administration

# Governance

Kansas City (the City) is a constitutionally chartered city and political subdivision of the State of Missouri, incorporated on June 3, 1850. The City is the central city of an fifteen-county Metropolitan Statistical Areas (MSA) situated at the confluence of the Kansas and Missouri rivers.

The City is governed by a city council comprised of a mayor and twelve (12) other elected members. The entire city council is elected to four-year terms of which only two terms may be consecutive. The mayor and six of the council members are elected at large and six council members are elected by the residents of their districts. The city council is responsible for establishing City policy and overseeing City affairs.

The mayor appoints four members of the city council to serve on the City's Aviation Committee. This committee performs in-depth reviews of proposed aviation department legislation and objectives. Subsequent to the review of department legislation, the Committee will forward a recommendation to the full city council for approval.

The city council is also responsible for appointing the city manager who is responsible for implementing the City policies approved by the city council. The city manager appoints and has oversight responsibility over the director of aviation.

The director of aviation (the Director) is responsible for the operation and maintenance of the Department's three facilities; Kansas City International Airport, Charles B. Wheeler Downtown Airport and Richards Gebaur. The Director is also responsible for the department staffing requirements and operates the department via eight divisions. Each division manager is responsible for budgeting and overseeing the daily operations of their respective division.



## **CITY OF KANSAS CITY, MISSOURI**

Kay Barnes, Mayor

### **City Council Members**

#### **Council Members-at-Large**

District 1 ..... Deb Hermann  
District 2 ..... Bonnie Sue Cooper  
District 3 ..... Troy Nash  
District 4 ..... Jim Glover  
District 5 ..... Rebecca "Becky" Nace →  
District 6 ..... Alvin L. Brooks →

→ Denotes member of Aviation Committee

#### **District Council Members**

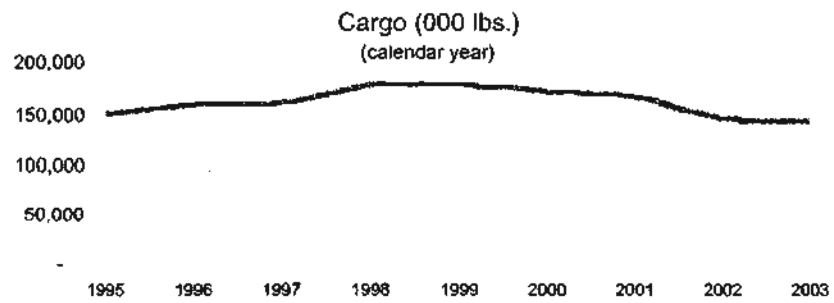
District 1 ..... Bill Skaggs →  
District 2 ..... John Fairfield  
District 3 ..... Sandra McFadden-Weaver  
District 4 ..... Jim Roland  
District 5 ..... Terry Riley →  
District 6 ..... Charles A. Eddy

Wayne Cauthen, City Manager

### **DEPARTMENT OF AVIATION**

Philip Brown      Executive Director, Acting at April 30, 2004

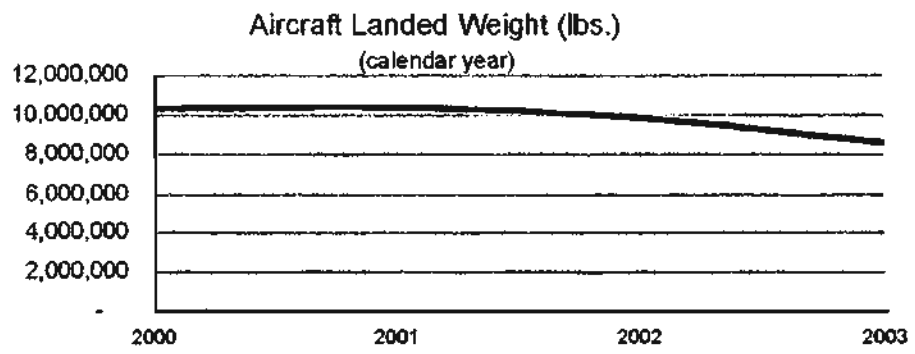
Philip Brown      Deputy Director/Operations & Maintenance  
Michael Burris     Deputy Director/Finance & Administration





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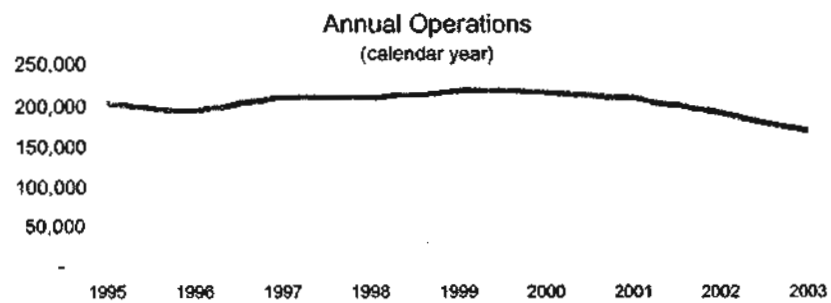
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# INTRODUCTORY SECTION

THIS SECTION CONTAINS THE FOLLOWING SUBSECTIONS:

TRANSMITTAL LETTER  
ORGANIZATIONAL CHART





August 2, 2004

Honorable Mayor and City Council Members,

City of Kansas City Missouri;

Mr. Wayne Cauthen, City Manager, City of Kansas City, Missouri;

Citizens of Kansas City; and,

Fellow Employees:

With great pride, we hereby present the Comprehensive Annual Financial Report (CAFR) of the Department of Aviation (Department) for the City of Kansas City, Missouri (City) for the fiscal year ended April 30, 2004. This is the Department's first ever attempt to produce a comprehensive report of this nature to memorialize the financial results for not only this year, but previous years as well. This report was prepared by the Accounting & Finance Division of the Department, which is committed to the accurate disclosure of reporting to the city council and citizens of the the City.

The financial statements, statistical, and bond disclosure information contained herein are representations of the Department management, which bears the responsibility for the accuracy, completeness, and fairness of this report. To the best of our knowledge, these representations are accurate in all material respects.

Unlike previous annual reports, this report is prepared in accordance with the guidelines set forth by the Government Finance Officers Association of the United States and Canada (GFOA). The GFOA awards a Certificate of Achievement to all public entities whose CAFR has attained the high standards of public financial reporting, including accounting principles generally accepted in the United States of America (GAAP) promulgated by the Government Accounting Standards Board (GASB). Subsequent to publication of this report, it will be submitted for consideration by GFOA in meeting the high standards of disclosure and reporting.

In accordance with GFOA's criteria for awarding a Certificate of Achievement for Excellence in Financial Reporting, this report is comprised of five sections:

1. Introductory Section, including this transmittal letter.
2. Financial Section, including the independent auditors' opinion, management's discussion and analysis, financial statements, related footnotes, required supplementary information, and other supplementary information.
3. Statistical Section, providing financial, economic, and industry-specific information.
4. Compliance Section, including Passenger Facility Charge.
5. Bond Disclosure Section, including all reports necessary for continuing bond disclosure.

#### **The Department**

The Department of Aviation is a department of the City of Kansas City, Missouri, and commenced operations concurrent with the dedication of the Kansas City Municipal Airport, now the Charles B. Wheeler Downtown Airport, on August 17, 1927. The Department now oversees operations at three transportation facilities; Kansas City International Airport, Charles B. Wheeler Downtown Airport, and Richards-Gebaur Intermodal Facility.

#### *Kansas City International Airport*

Kansas City International Airport (MCI) is located 18 miles north of downtown Kansas City, Missouri, and is comprised of 10,423 acres. MCI officially opened on November 11, 1972 and serves as the primary passenger air carrier airport. MCI has three fully instrumented runways and a full complement of parallel taxiways that are capable of handling any aircraft in service today. To accommodate all passengers, the airport has three passenger terminals that have a total of over one million square feet with 71 boarding gates and 44 passenger boarding bridges. Each of the three terminals includes a full complement of offices, food and beverage concession areas, restrooms, news and gift shops, departure lounges, and baggage handling facilities. The airport has 23,213 parking spaces to accommodate vehicles for airport visitors.

# TRANSMITTAL LETTER

## *Charles B. Wheeler Downtown Airport*

The Charles B. Wheeler Downtown Airport formerly served as Kansas City's air carrier airport prior to MCI's opening in 1972. The airport is conveniently located across the river from the downtown area and is comprised of 697 acres. The airport currently services the general aviation community as a reliever airport with two fixed base operations, hangar, tie-down, maintenance aircraft rental, and charter and training services. The airport is also home to a college-level aircraft maintenance school and aircraft museum.

## *Richards-Gebaur Intermodal Facility*

Richards-Gebaur (RG), located on the south side of the City, is a former United States Air Force Base that closed January 10, 2000. The City/Department accepted the responsibility of operating the facility until August 3, 1999 when a public referendum was passed to approve the closing of the airport's runway to establish an intermodal freight transportation facility. Part of RG is currently under a lease agreement with Kansas City Southern Railroad for the development of the intermodal facility. On April 19, 2001, the city council accepted the master plan and approved the recommendation that RG remain closed for aviation purposes. RG has 1,690 acres.

## **Population and Employment**

Kansas City, Missouri, is the most centrally located principal city in the United States and such a logistically favorable location has allowed the City to flourish as a mecca for transportation-related industries and companies, as evidenced by the decision of 11 major passenger air carriers, 5 major cargo air carriers, 5 class I railroads and well over 100 trucklines to serve Kansas City. Within a three-hour flight, one can be within any one of the fifty 50 major cities in the "lower 48." And not only is Kansas City served in the air, but on the ground as well. The City is the second largest railroad hub in the country (Chicago is first) and is also the headquarters for Kansas City Southern. Located at the cross hairs of America, the City is well suited for truck transportation and is the headquarters for Yellow Freight Ways as well as five *Fortune 500* companies.

The City has a metropolitan statistical area (MSA) that includes a total of 15 counties, 8 and 7 of these counties are located in the states of Missouri and Kansas, respectively. Those counties located in Missouri include Caldwell, Cass, Clay, Clinton, Jackson, Lafayette, Platte, and Ray and those located in Kansas include Bates, Franklin, Johnson, Leavenworth, Miami, and Wyandotte. In total, this 15 county MSA encompasses an area of 7,605 square miles. Within this MSA are three principal cities; Kansas City, Missouri, Overland Park, Kansas, and Kansas City, Kansas.

The primary Air Service Area (ASA) serves the population within and beyond the MSA and includes the Buchanan, Missouri and Douglas, Kansas counties. In total, 2,081,451 residents live within the ASA. No other hub airport overlaps the primary ASA, the nearest large hub airport, St. Louis, is located 250 miles away. Small hub airports, Des Moines and Wichita, are each located 190 miles away. The population of the MSA comprises 91.1 percent of the ASA's population and, therefore, all discussion of economic trends will focus on the MSA.

The "bell weather" economic indicator is the unemployment rate. The unemployment for the MSA, as compared with the states and national averages, are as follows:

	FYE04	FYE03
Kansas City MSA	5.2%	6.0%
State, Missouri	4.7	5.7
State, Kansas	4.7	5.4
National	5.6	6.0

As shown, there has been an improvement in the unemployment rate for the MSA and this favorably compares with the unemployment rate changes for both the states and national averages. This decline in unemployment was accompanied by a decrease in the MSA's civilian labor force of 0.3 percent.

The Kansas City MSA inflation rate for the second half of 2003, was 1.4 percent, the approximate same increase for the same period the prior year. On a calendar-year basis, it appears that the inflation rate is trending back to earlier percentage increases as shown on the following page.



Annual Inflation Increases	
2000	4.0%
2001	3.3
2002	0.1
2003	1.7

## Highlights

### *December 2003: Terminals Deliver Mobility-Based Technologies*

As part of a Terminal Improvement and Modernization Program, the three terminals, A, B, and C, installed devices to deliver mobility-based technologies that allow travelers to freely conduct business while in the terminal, all the while enhancing MCI's reputation as one of the nation's friendliest airports. The installed technologies line the terminals and management buildings with a single, converged, high-speed network transporting video, voice, and operational data to all airport divisions. Airport software systems connected to the network share data with airlines, airport personnel, and passengers. The majority of the technology is designed to improve operations, reduce costs, and enhance airport security. The WiFi (wireless Internet), the flight information systems, and the [www.flykci.com](http://www.flykci.com) web site elements were built to enhance the MCI passenger experience.

### *January 2004: Economy Parking Lot*

The Economy Parking Lot was opened at a cost of \$62 million. The lot has a capacity of 15,243 and replaces the former Satellite Parking Lot. The lot has heated bus shelters, a new revenue control system, real-time parking availability signs; and it allows customers to be transported directly to their terminal, bypassing unnecessary stops at the other two terminals.

### *January 2004: Enterprise Car Rental*

Enterprise Car Rental began operations in January leasing space that was vacated when National and Alamo Car Rental Agencies merged. Enterprise is one of eight car rental agencies that operate at MCI.

### *January 2004: Charles B. Wheeler Downtown Airport Master Plan*

The city council approved the Charles B. Wheeler Downtown Airport Master Plan. This approval was the culmination of a three-year effort and concluded that the economic benefit derived from the airport was \$280 million. The plan recommends a 20-year development program at an estimated cost of \$70 million.

### *April 2004: Terminal Improvement Project (update)*

Renovations in two of the three airport terminals, Terminals A & C, were completed. The renovated terminals include terrazzo floors, new restaurants and shops with a Kansas City flair, updated flight information displays, heating and cooling systems, baggage-handling systems, and ground transportation kiosks. The total budgeted cost to complete all three terminals is \$258 million. The remaining terminal, Terminal B, will be completed by December 2004.

### *April 2004: Frontier Airlines Establishes Maintenance Base*

Frontier Airlines established a maintenance base to support its seven and five daily flights to Los Angeles and Denver. This base will employ 12 mechanics and is one of three maintenance bases for Frontier, including Denver and Phoenix.

### *Air Service*

The changes in passenger airline service this past year is as follows:

	Daily Departures	Non-Stop Destinations
FYE03 Balance	217	51
Increases	18	3
Reductions	(28)	(7)
FYE04 Balance	207	47

Most of the reductions in daily departures are attributed to American Airlines' decision to reduce the number of flights to St. Louis from 15 to 6. Other notable reductions came from reductions in both daily departures and destinations to small regional cities within Missouri and Kansas.

To the credit of our Marketing Department led by Mr. Tom McKenna, three new destinations were added, Orange County, California; Washington Dulles; and Hays, Kansas.

# TRANSMITTAL LETTER

## Environment Management

The Department endeavors to be as environmentally friendly as possible. To this end, the Department has established the Environmental Management Division, staffed with two full-time employees. This division is managed by Ms. Sabrina Attaluri and staffed with Mr. Bob Jones who, in addition to his other environmental management duties, works with all the storm water runoff collected in the areas around the airport. Also, at year-end, the entire 24 bus fleet operated on environmentally friendly compressed natural gas (CNG) in addition to 7 other Division vehicles. To accommodate the growing fleet of CNG vehicles, the Department doubled the capacity of the CNG fueling system.

## Grant Management

The Department relies heavily on the Department of Transportation, Federal Aviation Administration, Airport Improvement Program grants (AIP) to fund many of its capital improvement projects, including the cost of land, aircraft rescue and firefighting equipment, and costs associated with passenger security. Normally, these grants will fund between 75 and 90 percent of the entire project. The remaining portion is funded by Department funds.

The Department had activity in 15 grants in FYE04. Of these grants, 14 were Department of Transportation, Federal Aviation Administration, Airport Improvement Program grants, and the 1 remaining was a Missouri Department of Transportation grant. During FYE04, 6 grants were opened, 5 closed and, as the year came to a close, 10 remained open. One of the remaining open grants is for the Charles B. Wheeler Downtown Airport.

Please see Page 54, Schedule of Grants Open for more details.

## Cash Management

The City administers the cash management of the Department's funds and invests them in accordance with the City's charter Section 2-1611, *Investment of idle cash*. This section allows for the investment of idle cash in financial instruments that are safe, liquid, and offer a high yield, in that order of priority. The City maintains pooled and restricted investments in accordance with the city charter investment policy.

## Internal Control

The Department's internal control structure is an important and integral part of its entire accounting system. The current structure in place is designed to provide reasonable, but not absolute, assurance that :

1. Assets are safeguarded against loss from unauthorized use or disposition,
2. Transactions are executed in accordance with management's authorization,
3. Financial records are reliable for preparing financial statements and maintaining accountability for assets,
4. There is compliance with applicable laws and regulations.

The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits that are likely to be derived from them, and that the evaluation of costs and benefits require estimates and judgement by management.

We believe that the Department's internal control framework adequately safeguards assets and provides reasonable assurance and proper recording of financial transactions. Management also believes that the data in this CAFR, as presented, is accurate in all material respects, that it presents fairly the financial position, results of operations, and cash flows of the Department, and that all disclosures necessary to enable the reader to gain maximum understanding of the Department's financial affairs have been included herein.

The Department has an internal audit division that consists of two full-time employees. An audit committee comprised of the director of aviation and two deputy directors directs the duties and audits of this division.





### The Budget

Department management has long recognized the importance of proper and accurate budgeting. To this end, the Department annually creates a budget and submits it to the City for approval.

Department control of the budget is maintained using encumbrances. A report of year-to-date actuals vs. budget is prepared monthly and distributed to all division managers.

### Awards

The Economic Development Department, managed by Zoe Holmes, earned first place in Airport with the Best Concessions Management Team awarded by *Airport Revenue News*.

To the credit of our Information Technology Division, led by Ron Crain, MCI scored 4.61 out of a possible 5.0 points in the 2004 Traveler Service Point Rating developed by *Elite Services Group*. This score beat the entire field of 49 other airports garnering the top airport in the country for delivering mobility-based technologies that help travelers conduct business while using the airport.

Finally, Mr. Dave Bowen, division manager for the MCI Operations Division, received MCI's fourth FAA Annual Certification with no inspection discrepancies.

### Acknowledgements

The production of this report is not an individual, but cooperative effort of all the Divisions within the Aviation Department and, to this end, we say a corporate thank you to all Divisions and their respective employees. However, we also recognize the ultimate responsibility for this report vests with the Accounting & Finance Division and we applaud their efforts in their endeavor to accurately portray the financial operations in this unprecedented comprehensive annual financial report.

The overall success of this Department is attributed to our most valuable assets ... its employees. We salute all employees and honorably recognize the following for their service longevity:

#### 25 years of service

Beckie Ludden, Parking & Bus  
Gregory McNack, Facilities Custodial

#### 20 years of service

Sandy Komula, Engineering  
Lawrence Paradine, Facilities Custodial  
John Shafer, Field Maintenance  
Robert Shields, Parking & Bus  
Joyce Wright, Human Resources

#### 15 years of service

Dennis Hodges, Facilities Structural  
Gene Huffmon, Facilities Structural  
David Killough, Parking & Bus  
Jo Lipari, Engineering  
Eugene Sage, Field Maintenance

#### 10 years of service

Karen Campbell, Parking & Bus  
Jo Ann Haney, Parking & Bus  
Willie Jones, Facilities Custodial  
Jerry Lackey, Parking & Bus  
Al Lomax, Airport Police  
Lavieta Son, Airport Police  
James Wine, Airport Police

Lastly, the undersigned acknowledges the support of the City of Kansas City, Missouri, City Council and Mr. Wayne Cauthen, City Manager.

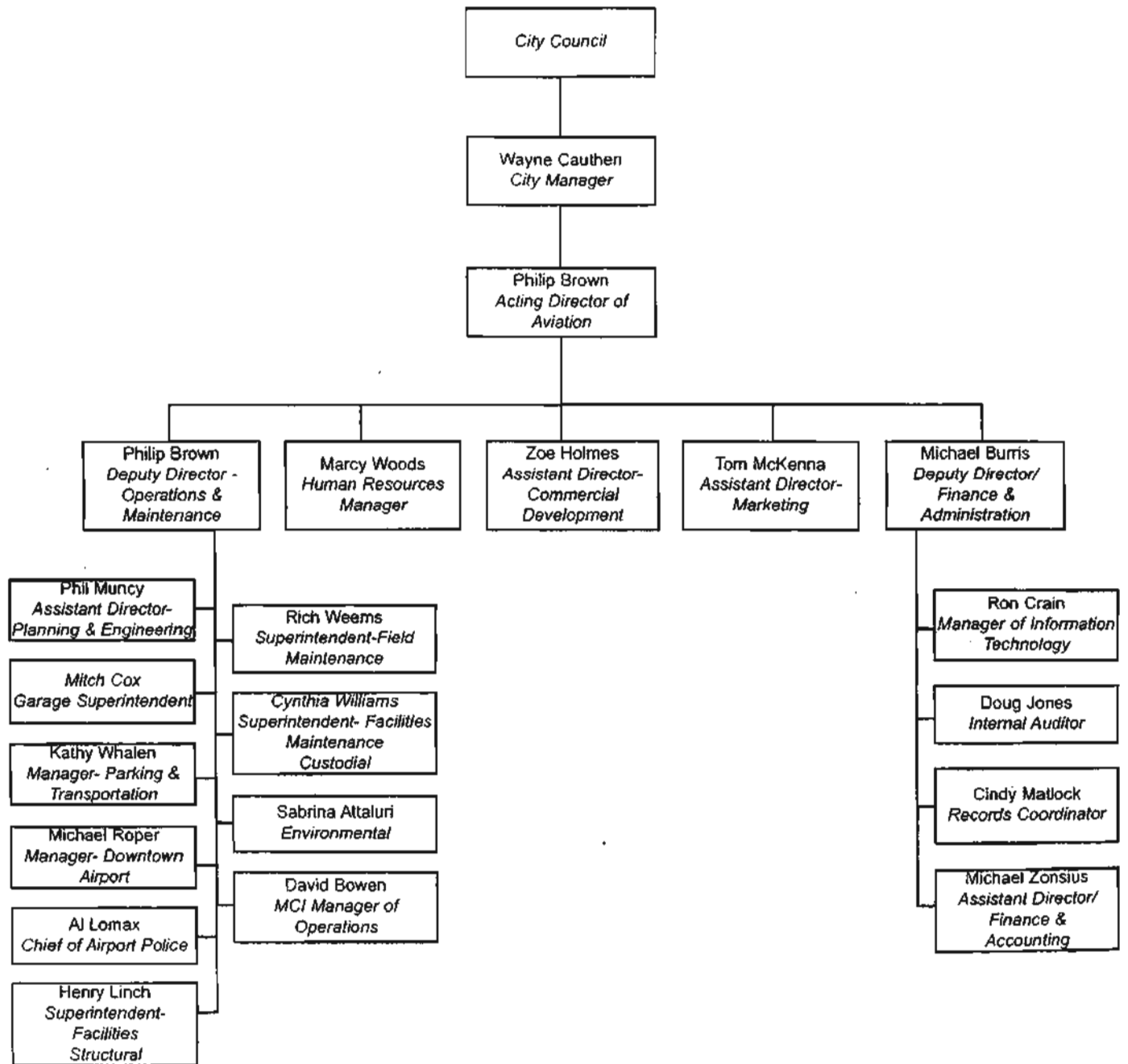


Phillip K. Brown  
Acting Executive Director at April 30, 2004



Michael C. Burris  
Deputy Director, Finance & Accounting

# ORGANIZATION CHART



# FINANCIAL SECTION

THIS SECTION CONTAINS THE FOLLOWING SUBSECTIONS:

INDEPENDENT AUDITORS' REPORT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FINANCIAL STATEMENTS, INCLUDING NOTES TO FINANCIAL STATEMENTS

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# INDEPENDENT AUDITORS' REPORT



KPMG LLP, Suite 1000, 1000 Walnut Street, Kansas City, MO 64106-2162

Honorable Mayor and Members of the City Council, Kansas City, Missouri:

We have audited the accompanying financial statements of the City of Kansas City Airports Fund (the Fund) as of and for the years ended April 30, 2004 and 2003, as listed in the table of contents. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in note 1, the financial statements present only the Fund and are not intended to present fairly the financial position of the City of Kansas City, Missouri, and the respective changes in its financial position and cash flows for the years ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of April 30, 2004 and 2003, and the changes in its financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 21 through 25 is not a required part of the financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the management discussion and analysis information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the Fund's financial statements. The introductory section, other supplementary information, statistical section, and bond disclosure section are presented for the purpose of additional analysis and are not a required part of the financial statements. The introductory section, other supplementary information, statistical section, and bond disclosure section have not been subjected to the auditing procedures applied by us in the audit of the financial statements and, accordingly, we express no opinion on them.

**KPMG LLP**

Kansas City, Missouri

August 2, 2004

KPMG LLP, a U.S. limited liability partnership, is the U.S. member firm of KPMG International, a Swiss cooperative.

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# MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis (MD&A) of the City of Kansas City, Missouri's Aviation Department (Department) provides an introduction and overview of the Department's financial statements and activities for the fiscal year ending April 30, 2004. The Kansas City Airports Fund is an enterprise fund of the City of Kansas City, Missouri, (the City) and is supported wholly by airport user charges. No general tax fund revenues are used for the administration, promotion, operation, or maintenance of the airports in the system. The Department is charged with the responsibility to operate and maintain the City's two airports; Kansas City International Airport (MCI) and Charles B. Wheeler Downtown Airport (MKC), and the Richards-Gebaur Intermodal Transportation Facility (Richards-Gebaur).

The information contained herein should be considered in conjunction with the financial statements, notes, and other supplemental information in order to provide a complete understanding of the financial performance and activities this past year. The City combines the financial operations of the City's two airports and Richards-Gebaur into one set of financial statements for the entire Department.

## Overview of the Financial Statements

The accompanying financial statements are prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America, as set forth by the Governmental Accounting Standards Board (GASB). Revenues and expenses are recognized when earned and incurred, not when received or paid. Capital assets, except land and construction in process, are depreciated over their useful lives. (See the notes to the financial statements for significant accounting policies).

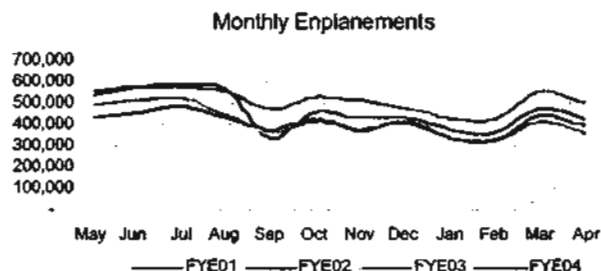
The statement of net assets presents comparative information of the Department's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of the Department's financial position.

The statement of revenues, expenses and changes in net assets presents information showing how the Department's net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

The statement of cash flows relates to the flows of cash and cash equivalents. Consequently, only transactions that affect the Department's cash accounts through operating activities, financing activities, and investing activities are listed on this report.

## Airport Activities and Highlights

As shown below, the airport and the entire aviation industry, for that matter, continue to reel from the events of 911. However, as shown below, recent enplanement reports for March and April show increases for the same periods compared to the prior year.



Despite the following decreases in airport activities this year, the Department continued to have favorable financial results:

	FYE04	FYE03	Percent Change
Enplanements	4,906,735	4,987,421	(1.6)
Aircraft Landed Weight (lbs.)	8,462M	9,443M	(10.4)
Operations (calendar)	170,758	191,325	(10.7)
Cargo (lbs.)	144,410	147,681	(2.2)

Operating revenues increased for the third consecutive year and reached their second highest level in the past 10 years. Accompanying this favorable increase was a favorable decrease in operating expenses, the third consecutive decrease in as many years.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## Financial Position and Assessment

### Summary of Statement of Net Assets (in thousands):

	FYE04	FYE03	Percent Change
<b>Assets:</b>			
Current assets-unrestricted	\$133,192	\$181,504	(26.6)
Current assets-restricted	113,636	156,967	(27.6)
Capital assets	601,064	521,688	15.2
Bond issue costs	3,369	3,545	(5.0)
<b>Total assets</b>	<b>\$851,261</b>	<b>\$863,704</b>	<b>(1.4)</b>
<b>Liabilities:</b>			
Current liabilities	\$ 11,904	\$ 24,959	(52.3)
Current from restricted	20,095	19,720	6.2
Long-term	364,279	375,206	(2.9)
<b>Total liabilities</b>	<b>396,278</b>	<b>419,885</b>	<b>(5.6)</b>
<b>Net Assets:</b>			
Invested in capital, net of debt	\$271,379	\$235,286	(15.3)
Restricted	59,359	56,830	4.5
Unrestricted	124,245	151,703	18.1
<b>Net assets</b>	<b>454,983</b>	<b>443,819</b>	<b>2.5</b>
<b>Liabilities and net assets</b>	<b>\$851,261</b>	<b>\$863,704</b>	<b>(1.4)</b>

Total assets decreased approximately \$12.4 million, or 1.4 percent, from the previous year, despite an \$11.2 million increase in net assets. The decrease in liabilities was primarily due to the reduction in current liabilities, accounts payable specifically, and the reduction in outstanding bond balances due to principal payments. Accounts payable decreased due to a higher than normal balance in construction in progress payables on record at FYE03. Further, a concerted effort was made to reduce the FYE04 balance in accounts payable as much as possible to simplify the year end transition to a new accounting software package. Total assets and liabilities increased in FYE03 due to the issuance of \$130,010,000 in General Improvement Revenue Bonds to fund the terminal improvement project and economy parking lot. Historical financial information can be in the statistical section of this report.

A portion of the Department's net assets, \$59,359K and \$56,830K, for FYE04 and FYE03, respectively, are subject to spending restrictions. These assets are not available for new spending as they have already been committed as follows (in thousands):

	FYE04	FYE03	Percent Change
<b>Assets:</b>			
Debt service	\$26,097	\$29,113	(10.4)
Operating & maintenance	8,362	1,750	377.8
Construction proceeds	42,509	96,048	55.7
Passenger facility charge	13,529	13,504	0.2
Customer facility charge	17,929	12,339	45.3
Other	5,210	4,213	23.7
<b>Total assets</b>	<b>\$113,636</b>	<b>156,967</b>	<b>27.6</b>

Funding for these commitments has been secured as restricted assets as noted in note 5 to the accompanying financial statements.

### Summary of Statement of Revenues, Expenses and Changes in Net Assets (in thousands):

	FYE04	FYE03	Percent Change
Operating revenues	\$ 69,374	\$ 68,051	1.9
Operating expenses	(49,212)	(51,131)	(3.8)
Depreciation & amortization	(28,610)	(27,293)	4.8
<b>Operating loss</b>	<b>(8,448)</b>	<b>(10,373)</b>	<b>18.6</b>
Non-operating revenues	25,770	31,836	(19.1)
Non-operating expenses	(9,415)	(16,046)	(41.3)
Income before capital contributions	7,907	5,417	46.0
Capital contributions	3,257	7,451	(56.3)
<b>Change in net assets</b>	<b>11,164</b>	<b>12,868</b>	<b>(13.2)</b>
<b>Total net assets-beginning of the year</b>	<b>443,819</b>	<b>430,951</b>	<b>2.9</b>
<b>Total net assets-end of year</b>	<b>\$454,983</b>	<b>\$443,819</b>	<b>2.5</b>

Despite an operating loss of \$8.4 million, this was an improvement over the FYE03 loss by \$1.9 million, or 18 percent, and approximately the same as the FYE02 loss. The operating losses incurred over the past three years are attributed to increased costs that, in part, resulted from the 911 events.

The Department's change in net assets decreased \$1.7 million, or 13 percent. FYE03 change in net assets decreased \$1.6 million from the prior year as well. Despite the improvement in the operating profit and a modest 3 percent improvement in nonoperating profit, capital contributions decreased \$4.2 million.

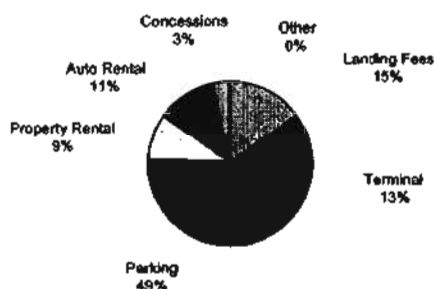




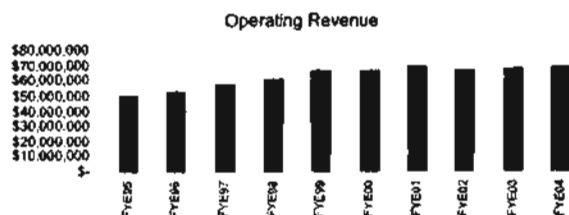
#### Summary of Operating Revenues ( in thousands)

	FYE04	FYE03	Percent Change
Airfield fees	\$10,228	\$10,205	0.2
Terminal building and apron	9,303	9,574	(2.8)
Parking	33,293	31,869	4.5
Rental car	7,865	7,291	7.9
Concessions	2,044	2,248	(9.1)
Other property rental	6,353	6,201	2.5
Other operating revenue	287	663	(56.7)
Total operating revenue	\$69,374	\$68,051	1.9

The increase in operating revenues, \$1.3 million, typified the operating results for the past fiscal year as this revenue remained relatively constant with only a 1.9 percent increase from the previous year. Most of this increase is attributed to the revenue derived from passenger automobile parking revenue, which increased approximately \$1.4 million.



The increase in parking revenues was accompanied with other less notable increases in airfield fees, rental car, and other property rental revenue. Decreases in terminal building and apron, concessions, and other operating revenue totaled \$851 thousand in FYE04.



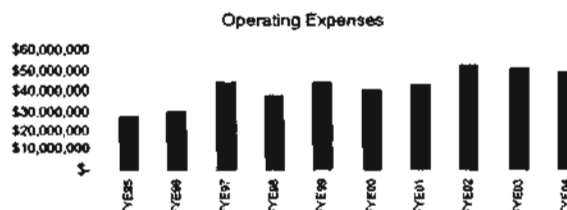
Operating revenues have consistently increased over the past three years returning to pre-911 levels, as shown above.

#### Summary of Operating Expenses ( in thousands)

	FYE04	FYE03	Percent Change
Salaries, wages & benefits	\$21,121	\$22,366	(5.6)
Contractual services	25,474	26,280	(3.1)
Commodities	2,616	2,485	5.2
Total operating expenses	\$49,212	\$51,131	(3.8)

Operating expenses had a favorable impact on the operating profit decreasing \$1.9 million, or 3.8 percent. Salaries, wages & benefits had a decline of \$1.2 million due to the early retirement of 40 employees in the prior year. Spearheading the overall decrease in operating expenses was management's desire to have a decrease in expenses to mirror any decreases in operating revenues that would result from the reduction in passenger traffic and airline activity.

As shown above, operating expenses have continued to decrease in both FYE04 and FYE03. The decrease in FYE03 was largely attributed to a higher than normal amount of contractual expenditures in FYE02. This higher than normal amount was due to the write-off of \$6 million in fees associated with a People-Mover project



#### Summary of Depreciation and Amortization (in thousands)

	FYE04	FYE03	Percent Change
Depreciation	\$20,015	\$18,694	7.1
Depreciation-grant	8,385	8,465	(0.9)
Amortization	210	134	56.7
Total non-cash expenses	\$28,610	\$27,293	4.8

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Of the \$1.3 million increase, \$0.7 million is attributable to the addition of \$52 million economy parking lot that is depreciated over a 15-year useful life.

## Summary of Nonoperating revenue (in thousands)

	FYE04	FYE03	Percent Change
Interest	\$ 4,879	\$ 9,171	(46.85)
Passenger facility charge	13,880	13,687	1.4
Customer facility charge	5,887	5,792	1.6
Operating grant	937	3,022	(69.0)
Other	187	164	-
Total nonoperating revenue	\$25,770	\$31,836	(19.0)

Interest revenue decreased \$4.3 million as a result of the declining balance in the construction account funds. On average, the Department earned 2.04 and 2.78 percent in FYE04 and FYE03, respectively, on its invested funds. FYE04 interest revenue is comprised of \$3.3 and \$1.5 million in unrestricted and restricted interest revenue, respectively.

## Summary of Nonoperating expense (in thousands)

	FYE04	FYE03	Percent Change
Interest	\$9,324	\$15,698	(40.6)
Other	91	348	(73.9)
Total nonoperating expense	\$9,415	\$16,046	(41.3)

For this past year, the Department had the following additions and deductions from its interest paid on its outstanding bonds:

Interest paid	\$20,242,593
Interest capitalized	(10,905,918)
Accrued interest	(372,493)
Amortized loss on refunding	571,711
Amortized bond discount	93,027
Amortized premium	(304,623)
Interest Expense	\$9,324,297

## Budgetary Comparison

In FYE04, the Department had an adopted budget of \$57.8 million and, due to its recognition of encumbrance accounting in its budgetary practices, had an available budget of \$66.5 million. The Department incurred \$47.0 million of budgetary expenditures, thus having approximately \$10.7 million in uncommitted funds at the close of FYE04. A more detailed schedule of the budget is provided in the Other Supplementary Information section of this report.

## Capital Assets

The Department's capital assets, as of April 30, 2004, were approximately \$601,064,000 (net of accumulated depreciation), accounted for 70.6 percent of total assets, and increased \$79,375,911 from the previous year.

Equipment increased \$784K, mostly as a result of the purchase of a new 1,500-gallon aircraft rescue and fire fighting truck in the amount of \$695,442, which was predominantly financed via an FAA Grant in the amount of \$512,569, or 75 percent of the actual cost. Construction in progress increased \$47,425,466 due to the construction of the MCI Terminal Improvement Project and the Economy Parking Lot.

The Department retired \$181,310 in buildings and equipment in FYE04. The buildings include mobile homes that were used as the the Parking and Bus Division offices until their office building was completed.

Please see note 3 on page 34 for more details

## Debt Administration

Total debt outstanding at FYE04 was \$377,160,000, of which \$11,285,000 is due within one year. The amount outstanding reflects a decrease of \$10,790,000 from the previous year.

To take advantage of the favorable interest rate market, the Department is anticipating refinancing its Series 1994A issue on June 10, 2004. This refinancing is expected to generate \$4.6 million, or 17 percent, in present value savings.

Moody's and Standard & Poor's (S&P) credit ratings for the 2003A and B bond issues are A2 and A+, respectively. The rating agencies have cited MCI's financial strength, low airline cost per enplaned passenger, and the steady recovery of passenger enplanements as the reason for the investment grade rating.



### Airline Rates & Charges

Airline rates and charges represent the fees received by an airport from the airlines for their use of the airport's facilities and for the privilege of operating at an airport. The calculation of the airline rates and charges is based on the provisions of the airline use and lease agreement. It is important to maintain low airline rates and charges in order to remain cost-competitive.

The use and lease agreement between the City and the airlines expired April 30, 2003 and was extended to April 30, 2005. A new agreement is currently being negotiated.

The rates and charges billed to the airlines were as follows:

	FYE03	FYE02
Signatory landing fee <sup>1</sup>	\$ 1.10	\$ 0.896
Terminal rental rate	27.90/sf	31.23/sf
Fuel flowage fee	0.06/gal	.06/gal
Terminal apron rental	284.11/ff	274.36/ff

<sup>1</sup> per 1,000lbs. of aircraft landed weight

Landing fees and terminal rental rates for non-signatory airlines are assessed at 125 percent of the established rates.

### Passenger Facility Charges

The Federal Aviation Administration has approved a Passenger Facility Charge (PFC) for a multi-project capital program at \$3.00 per enplanement. The fee is collected on passenger's airline tickets and the airlines reimburse themselves for collecting the fee by retaining eight cents of each PFC. Projects named in the program application have been approved for total PFC collections of \$338,871,661.

On June 29, 2004, the Department submitted a new PFC application to the Federal Aviation Administration proposing to implement a revised PFC program that will increase the total amount of PFCs approved for collection by approximately \$38.3 million, and to extend the estimated the PFC expiration date to December 1, 2017. In accordance with Federal Aviation Administration Regulations, a consultation with the air carriers was conducted on April 29, 2004 to describe the process of developing the airport's revised PFC program. The results of the Federal Aviation Administration review is pending.

PFC revenue earned on an accrual basis for the previous three fiscal years is as follows:

FYE02	\$16,134,494
FYE03	13,686,560
FYE04	13,879,589

The revenue collected in FYE04 is 1.4 percent greater than the previous year.

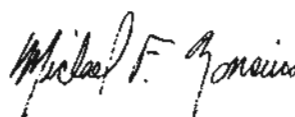
### Customer Facility Charges

A Customer Facility Charge (CFC) of \$3.00 per-transaction-day on rental cars was implemented on January 1, 2001 to fund the debt service on the subordinate General Airport Revenue Bonds issued in December 2000 and to pay for the preliminary design and engineering of the new consolidated rental car facility.

### Request for Information

This financial report is designed to provide the Department's management, investors, creditors, and customers with a general overview of the Kansas City Airports Fund's finances and to demonstrate the Department's accountability for the funds it receives and expends. For additional information about this report, please contact the undersigned at, Kansas City International Airport, P. O. Box 20047, Kansas City, Missouri 64195-0047

This report is respectfully submitted by,



Michael F. Zonsius, CPA  
Assistant Director/  
Finance & Accounting

August 2, 2004

# STATEMENT OF NET ASSETS

## AS OF APRIL 30, 2004 AND 2003

ASSETS	FYE04	FYE03
Current assets:		
Unrestricted assets:		
Cash and cash equivalents	\$125,868,377	\$ 173,626,211
Accounts receivable	5,561,171	6,197,014
Allowance for doubtful accounts	(827,606)	(994,920)
Grants receivable	114,362	135,424
Interest receivable	1,181,584	1,401,766
Prepaid insurance and other	655,609	561,472
Inventories	638,716	576,444
Total current assets-unrestricted	133,192,213	181,503,411
Restricted assets:		
Cash and cash equivalents	112,578,764	155,709,635
Interest receivable	1,056,829	1,257,122
Total current assets-restricted	113,635,593	156,966,757
Total current assets	246,827,806	338,470,168
Non-current assets:		
Capital assets:		
Land (nondepreciable)	36,679,779	35,953,163
Buildings and building improvements	223,336,440	222,371,144
Infrastructure	394,617,150	337,658,530
Equipment	34,056,514	32,536,261
	688,689,883	628,519,098
Accumulated depreciation	(339,044,701)	(310,824,361)
	349,645,182	317,694,737
Construction in progress (nondepreciable)	251,419,111	203,993,645
Total capital assets	601,064,293	521,688,382
Bond issue costs, net of amortization of \$695,225 and \$661,766, respectively	3,369,302	3,545,377
Total assets	\$851,261,401	\$863,703,927

The notes are an integral part of these financial statements.



	FYE04	FYE03
<b>LIABILITIES and NET ASSETS</b>		
<b>Current liabilities:</b>		
Payable from unrestricted assets:		
Accounts payable	\$4,752,613	\$ 18,039,369
Accrued payroll, vacation, and sick leave	2,037,800	1,847,870
Security deposits	105,495	128,850
Prepaid lease revenue	4,117,656	4,283,513
Workers' compensation liability	890,576	659,656
Total current liabilities payable from unrestricted assets	11,904,140	24,959,258
Payable from restricted assets:		
Matured bonds and coupons	299,373	261,800
Accrued interest and fiscal agent fees	2,713,425	3,085,918
Revenue bonds, current portion	11,285,000	10,790,000
Construction contract and retainages payable	5,660,233	5,445,405
Due to other governments	136,491	136,491
Total current liabilities payable from restricted assets	20,094,522	19,719,614
Total current liabilities	31,998,662	44,678,872
<b>Non-current liabilities:</b>		
Bonds payable, net of current portion	365,875,000	377,160,000
Unamortized bond discount, premium and deferred refunding charge	(1,595,563)	(1,953,674)
Total non-current liabilities	364,279,437	375,206,326
Total liabilities	396,278,099	419,885,198
<b>Net assets:</b>		
Invested in capital assets, net of related debt	271,378,585	235,285,763
Restricted	59,359,396	56,830,152
Unrestricted	124,245,321	151,702,814
Total net assets	454,983,302	443,818,729
Total liabilities and net assets	<u>\$851,261,401</u>	<u>\$863,703,927</u>

The notes are an integral part of these financial statements.

# STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

## FOR THE YEARS ENDED APRIL 30, 2004 AND 2003

	FYE04	FYE03
Operating revenues:		
Airfield fees	\$10,228,110	\$10,204,660
Terminal	9,302,622	9,573,569
Parking	33,293,350	31,869,141
Property rental	6,353,902	6,201,322
Auto rental	7,864,913	7,290,691
Concessions	2,044,290	2,248,520
Other	286,530	663,543
Total operating revenues	69,373,717	68,051,446
Operating expenses:		
Salaries, wages, and employee benefits	21,120,771	22,365,738
Contractual services	25,474,042	26,280,324
Commodities	2,616,891	2,485,170
Total operating expenses before depreciation and amortization	49,211,704	51,131,232
Operating income before noncash operating expenses	20,162,013	16,920,214
Non-cash operating expenses:		
Depreciation	20,015,305	18,693,725
Depreciation-grant proceeds	8,385,188	8,465,330
Amortization	209,533	133,872
Total non-cash expenses	28,610,026	27,292,927
Total operating loss	(8,448,013)	(10,372,713)
Nonoperating revenues:		
Interest	4,879,174	9,171,250
Passenger facility charge	13,879,589	13,686,560
Customer facility charge	5,886,939	5,792,046
Operating grant revenue	936,958	3,022,340
Other	187,230	163,840
Total nonoperating revenue	25,769,890	31,836,036
Nonoperating expense:		
Interest	9,324,298	15,698,287
Other	91,017	348,165
Total nonoperating expense	9,415,315	16,046,452
Income before capital contributions	7,906,562	5,416,871
Capital contributions	3,258,011	7,450,857
Changes in net assets	11,164,573	12,867,728
Total net assets - beginning of the year	443,818,729	430,951,001
Total net assets - end of the year	\$454,983,302	\$443,818,729

The notes are an integral part of these financial statements.



# STATEMENT OF CASH FLOWS

FOR THE YEARS THEN ENDED APRIL 30, 2004 AND 2003

	FYE04	FYE03
Cash flows from operating activities:		
Cash received from providing services	\$69,653,034	\$67,726,883
Cash paid to employees, including benefits	(20,930,841)	(22,801,455)
Cash paid to suppliers	(41,303,178)	(27,282,278)
Cash provided by operating activities	<u>7,419,015</u>	<u>17,643,150</u>
Cash flows from noncapital financing activities:		
Proceeds from grants	936,958	3,022,340
Due to other governments	-	(5,517,238)
Due to other funds	-	77,144
Cash provided by (used in) noncapital financing activities	<u>936,958</u>	<u>(2,417,754)</u>
Cash flows from capital and related financing activities:		
Bond issue costs paid	(33,458)	(1,759,766)
Acquisition and construction of capital assets	(96,872,489)	(110,379,572)
Construction contract and retainage	214,828	3,214,902
Matured coupons	37,573	-
Proceeds from bond issuance	-	132,941,887
Principal payments on revenue bonds	(10,790,000)	(10,246,740)
Interest payments	(20,242,594)	(13,912,757)
Passenger facility charges	13,879,589	13,686,560
Customer facility charges	5,886,939	5,792,046
Other	96,213	(184,325)
Capital contributed by federal government	3,279,074	9,557,005
Cash provided by (used in) capital and related financing activities	<u>(104,544,325)</u>	<u>28,709,240</u>
Cash flows from investing activities:		
Interest received	5,299,647	10,563,391
Cash provided by investing activities	<u>5,299,647</u>	<u>10,563,391</u>
Net increase (decrease) in cash and cash equivalents	(90,888,705)	54,498,027
Cash and cash equivalents at beginning of year	<u>329,335,846</u>	<u>274,837,819</u>
Cash and cash equivalents at end of year	<u>\$238,447,141</u>	<u>\$329,335,846</u>
Reconciliation to Statement of Net Assets		
Cash and Cash Equivalents:		
Unrestricted	\$125,868,377	\$173,626,211
Restricted	<u>112,578,764</u>	<u>155,709,635</u>
Cash and cash equivalents at end of year	<u>\$238,447,141</u>	<u>\$329,335,846</u>

The notes are an integral part of these financial statements.

# STATEMENT OF CASH FLOWS, CONTINUED

	FYE04	FYE03
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$(8,448,013)	\$(10,372,713)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	28,610,026	27,292,927
Accounts receivable	468,529	(40,512)
Prepaid insurance and other	(94,137)	(169,455)
Inventories	(62,273)	91,228
Accounts payable	(13,286,755)	1,391,986
Accrued payroll, vacation, and sick leave	189,930	(435,717)
Security deposits	(23,355)	11,951
Prepaid lease revenue	(165,857)	(126,546)
Workers compensation liability	230,920	-
Cash provided by operating activities	<u>\$ 7,419,015</u>	<u>\$17,643,150</u>

The Notes are an integral part of these financial statements.





# NOTES TO FINANCIAL STATEMENTS

## Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

The Kansas City Airports Fund (Fund) is owned by and is a fund of the City of Kansas City, Missouri (the City). The Fund is utilized to account for the operations of the City's two airports, Kansas City International Airport (MCI) and the Charles B. Wheeler Downtown Airport (Downtown) as well as the Richards-Gebaur Intermodal Transportation Facility (RG).

### *Basis of Accounting*

The City accounts for the Fund as a proprietary enterprise fund. The accompanying financial statements are prepared on the accrual basis of accounting, wherein revenues are recorded when earned and expenses are recorded when incurred.

### *Proprietary Accounting and Financial Reporting*

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Fund follows all GASB pronouncements, as well as all Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principal Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with or contradict GASB pronouncements.

### *Operating versus nonoperating*

The Fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from the rental of property or utilization of airport facilities and infrastructure.

### *Revenue Recognition*

Airfield fees - are principally landing fees generated from scheduled airlines and nonscheduled airlines, including charters, and are based on the aircraft's landed weight. The fee structure is determined annually based on an agreement between the City and signatory airlines, which takes into account the Department's operating expenses and the total annual landed weight of aircraft. Fuel flowage fees are included in airfield fees comprising 6.7 percent of these fees. Airfield fees are recognized as part of operating revenues when the airline-related facilities are utilized.

Rents - Terminal and other, parking, car rental rents, and concessions are generated from airlines, parking structures and lots, food, rental cars, fixed base operators, and other commercial tenants. Leases for the airlines are based on a cost recovery basis. Rental revenue is recognized over the life of the respective leases and concession revenue is recognized partially based on reported concession revenue and partially based on minimum rental guarantee.

### *Cash and Cash Equivalents*

The Fund investments maintained in the City's pooled investments are readily convertible to known amounts of cash and so near to their maturity that they present insignificant risk of changes in value because of changes in interest rates. Accordingly, for purposes of the statements of cash flows, these investments are considered cash equivalents.

### *Inventories*

Inventories, consisting of machine parts, fuel, and supplies, is valued at the lower of cost or market.

# NOTES TO FINANCIAL STATEMENTS

## Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, continued

### *Capital Assets and Depreciation*

Capital assets are stated at cost and include assets funded by proceeds of revenue and general obligation bonds, grants, and contributions. Normal maintenance and repairs are charged to expense as incurred. Renewals and betterments are capitalized when placed into service and are depreciated over the remaining estimated useful lives of the related properties.

At the time of retirement or other disposition of properties, the assets and related depreciation accounts are relieved of the amounts included therein and the resulting gain or loss is recognized.

The provision for capitalization and depreciation of capital assets is computed using the straight-line method over the following estimated useful lives:

	Useful Life (yrs.)	Capitalization Threshold
Building and building improvements	25	\$100,000
Runway, aprons, and roads	15	25,000
Equipment	3 - 10	5,000

### *Capitalization of Interest*

Interest costs incurred that relate to the acquisition or construction of capital assets acquired with tax-exempt debt are capitalized. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project, with interest earned on invested idle debt proceeds over the same period. Capitalized interest in FYE04 was \$10,905,918.

### *Prepaid Revenue*

The Fund reports prepaid lease revenue on its statements of net assets when resources are received by the Fund before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenses. In subsequent periods, when revenue recognition criteria are met or when the Fund has a legal claim to the resources, the liability for deferred revenue is removed from the statements of net assets and the revenue is recognized.

### *Original Bond Issue Discount, Premium, and Deferred Refunding Charge*

Original bond issue discount, premium, and deferred refunding charge on long-term indebtedness are amortized using the straight-line basis over the life of the debt to which it relates.

### *Contributed Capital*

Contributions of capital assets received from other entities, including those from other City funds, grants, and assistance received from other governmental units for the acquisition of capital assets, are recorded as capital contributions. Contributions received for operating purposes are included in other nonoperating income.



#### *Vacation and Sick Leave Benefits*

Under the terms of the City's personnel policy, City employees are granted vacation and sick leave in varying amounts. Vacation is accumulated at an annual rate of 10 to 20 days, depending on the employee's length of service. Sick leave is accumulated at the rate of 3.7 hours per two-week pay period. The maximum amount of vacation that may be carried forward, which is accrued in the Fund, is two times the amount earned in a year. Sick leave with pay may be accumulated up to a limit of 3,000 hours. Upon separation from service, employees may convert accrued sick leave at the ratio of four hours of sick leave to one hour of vacation leave credit. Retiring employees 55 years or older with at least 25 years of creditable service; employees who are to receive a line-of-duty disability pension; employees who qualify for a City pension and retire with a normal retirement, take early retirement at age 60 or thereafter, or die are entitled to sick leave credit at the rate of two hours of sick leave to one hour of vacation leave credit.

#### *Interfund Payments*

Interfund payments consist primarily of payments to the City's general fund for administrative, data processing, and accounting services, as well as payments for fire operation services. These charges are recorded in the contractual services section of the statements of revenues, expenses, and changes in fund net assets.

A summary of the administrative and fire protection service charges are as follows:

	Administrative Service Charge	Fire Protection Service Charge
FYE01	\$3,009,353	\$2,167,243
FYE02	3,158,616	2,354,314
FYE03	4,028,889	2,288,132
FYE04	3,179,344	2,354,384

#### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### *Reclassifications*

Certain reclassification of prior year amounts have been made to conform to the current year presentation.

#### **Note 2. DEPOSITS AND INVESTMENTS**

The City maintains a cash and investment pool, which is available for use by most funds. Interest earned on investments is allocated to the various funds on the basis of month-end cash and investment balances. The Fund participates in the pool and, at April 30, 2004, had cash-on-hand short-term investments, restricted assets, and accrued interest receivable of \$125,868,377, \$113,635,593, and \$1,181,584, respectively in the pool. At April 30, 2003, the Fund had cash and short-term investments, restricted assets, and accrued interest receivable of \$173,626,211, \$156,966,757, and \$1,401,766, respectively, invested in the pool. Information concerning the City's investment policy and carrying accounts by type of investment or deposit categorized by custodial credit risk can be found in the City's basic financial statements.

# NOTES TO FINANCIAL STATEMENTS

## Note 3. CAPITAL ASSETS

Fixed asset activity for the year ended April 30, 2004 and 2003 is as follows :

	FYE03	Additions	Retirement	Reclass	FYE04
Land <sup>1</sup>	\$ 35,953,163	\$ -	\$ -	\$ 726,616	\$ 36,679,779
Buildings <sup>2</sup>	222,371,144	-	50,449	1,015,745	223,336,440
Infrastructure <sup>2</sup>	337,658,530	-	-	56,958,620	394,617,150
Equipment <sup>2</sup>	32,536,261	784,394	130,861	866,720	34,056,514
Construction in progress <sup>1</sup>	203,993,645	106,961,761	-	(59,536,295)	251,419,111
	832,512,743	107,746,155	181,310	(31,406)	940,108,994
Accumulated depreciation	310,824,361	28,401,650	(181,310)	-	339,044,701
Total	\$521,688,382				\$601,064,293

	FYE02	Additions	Retirement	Reclass	FYE02
Land <sup>1</sup>	\$ 35,928,163	\$ -	\$ -	\$ 25,000	\$ 35,953,163
Buildings <sup>2</sup>	222,371,144	-	-	-	222,371,144
Infrastructure <sup>2</sup>	334,605,943	-	-	3,052,587	337,658,529
Equipment <sup>2</sup>	28,836,544	4,366,717	(714,000)	47,000	32,536,261
Construction in progress <sup>1</sup>	101,091,962	110,222,683	-	(7,321,000)	203,993,645
	722,833,756	114,589,400	(714,000)	(4,196,413)	832,512,743
Accumulated depreciation	284,365,891	27,159,055	(700,585)	-	310,824,361
Total	\$438,467,865				\$521,688,382

<sup>1</sup> Nondepreciable

<sup>2</sup> Depreciable

## Note 4. ADVANCES FROM AIRLINES

Under the signatory lease agreements for MCI, the airlines have agreed to a guaranteed minimum amount of rentals and fees based on expected levels of use of airport facilities. If the payments received from the airlines differ from computed amounts due, based on actual landing weights and other factors, the Fund and airlines settle the payment differences.

## Note 5. BONDS OUTSTANDING AND RESTRICTED ASSETS

Bonds outstanding in the Fund at April 30, 2004 and 2003 are as follows:

Series	Type	Coupon Range (%)	Original Issuance	Bond Rating <sup>1</sup>	Yield Range	Final Maturity	FYE04 Balance	FYE03 Balance
1994A	GARB	5.5 - 7.00	\$ 39,210,000	Aaa, AAA	5.50% - 7.05%	Sep 2012	\$ 36,655,000	\$ 37,205,000
1995A	GARB	4.00 - 6.75	41,020,000	Aaa, AAA	4.00% - 5.15%	Sep 2009	27,960,000	30,525,000
1997A	GARB	5.30 - 5.50	29,495,000	Aaa, AAA	5.30% - 5.55%	Sep 2014	29,495,000	29,495,000
1999	GARB	5.00 - 5.25	35,260,000	Aaa	3.80% - 5.15%	Sep 2008	20,110,000	24,195,000
2001	PFC	5.00 - 5.00	140,000,000	Aaa, AAA	3.23% - 5.32%	Apr 2026	132,930,000	136,520,000
2003A	GARB	5.75 - 4.75	76,955,000	Aaa, AAA	2.75% - 4.75%	Sep 2027	76,955,000	76,955,000
2003B	GARB	5.375 - 4.25	53,055,000	Aaa, AAA	4.12% - 4.39%	Sep 2018	53,055,000	53,055,000
							377,160,000	387,950,000
							11,285,000	10,790,000
							\$365,875,000	\$377,160,000

<sup>1</sup> Moody's, Standard & Poor's, respectively.



Changes in bonds payable in FYE04 and FYE03 are as follows:

	FYE03	Additions	Retirements	FYE04
	\$387,950,000	\$ -	\$10,790,000	\$377,160,000
Less Current	(10,790,000)	-	-	(11,285,000)
Total	\$377,160,000			\$365,875,000

	FYE02	Additions	Retirements	FYE03
	\$268,265,000	\$130,010,000	\$10,325,000	\$387,950,000
Less Current	(10,325,000)	-	-	(10,790,000)
Total	\$257,940,000			\$377,160,000

Unamortized bond discount, premium and deferred refunding charge at April 30, 2004 and 2003 are as follows:

	FYE04	FYE03
Unamortized bond discount	\$1,603,153	\$1,694,176
Deferred charge on refunding	3,517,938	4,089,649
Unamortized bond premium	(3,525,528)	(3,830,151)
	\$1,595,563	\$1,953,674

The annual requirements to retire the bonds outstanding as of April 30, 2004 are as follows:

	Principal	Interest	Total
FYE05	\$ 11,285,000	\$ 19,409,579	\$ 30,694,579
FYE06	11,815,000	18,824,025	30,639,025
FYE07	12,380,000	18,207,190	30,587,190
FYE08	12,985,000	17,556,268	30,541,268
FYE09	16,040,000	16,806,419	32,846,419
FYE10-14	96,760,000	68,116,820	164,876,820
FYE15-19	115,065,000	39,096,293	154,161,293
FYE20-24	60,855,000	18,353,195	79,208,195
FYE25-28	39,975,000	3,491,360	43,466,360
Total	\$377,160,000	\$219,861,149	\$597,021,149

On March 6, 2003, the City issued \$76,955,000 and \$53,055,000 in General Improvement Airport Revenue Bonds authorized by voters in 2000 and 1988, respectively. The \$76,955,000 bond was issued for the purpose of paying a portion of the costs of the Terminal Improvement Project, which involves extensive capital improvements to the existing terminal buildings at MCI. The \$53,055,000 bond was issued for the purpose of paying a portion of the costs of the acquisition, construction, and equipping of a long-term economy parking facility at MCI.

On August 1, 2001, the City issued \$140,000,000 in PFC Revenue Bonds. The bonds are backed by the passenger facility charge on ticketed passengers that pass through MCI for the purpose of financing the design and construction costs of terminal improvements at MCI. These bonds have an average interest rate of 5%. The bonds mature annually in amounts ranging from \$3,480,000 to \$9,550,000 during fiscal years 2003 through 2026.

# NOTES TO FINANCIAL STATEMENTS

## Note 5. REVENUE BONDS AND RESTRICTED ASSETS. continued

On December 15, 2000, the City issued \$10,000,000 in General Improvement Airport Revenue Bonds authorized by voters in 2000. The bonds are primarily backed by the Customer Facility Charge on the rental of cars at MCI and subordinated by general airport revenues. The Fund used excess operating funds to purchase the bonds at issuance. The bond issuance has not been reflected in the accompanying financial statements since they have not been issued to the public.

Under the terms of various ordinances enacted at issuance of revenue bonds, the Fund must maintain adequate insurance coverage, rates, and fees sufficient to pay reasonable and proper operating and maintenance expenses and scheduled debt service requirements. The ordinances also establish priorities for the allocation of revenues. After meeting normal operating and maintenance expenses, all remaining monies are to be allocated to the following accounts in the order listed on the next page.

Restricted accounts and special reserves are reported on the accompanying statements of net assets as restricted assets and are as follows at April 30, 2004:

Account	Restricted assets	Net Assets restricted
Reserve	\$15,275,500	\$15,275,500
Operations & maintenance	1,951,189	1,000,000
Deferred maintenance and replacement	6,410,983	750,000
Principal and interest	10,821,389	10,821,389
Construction	42,509,427	-
Drug Enforcement Agency	55,054	55,054
Passenger facility charge	13,528,927	13,528,927
Customer facility charge	17,928,526	17,928,526
Other Restricted	5,154,599	-
Total at April 30, 2004	\$113,635,593	\$59,359,396
Total at April 30, 2003	\$156,966,757	\$56,830,152



The ordinances also establish priorities for the allocation of revenues. This allocation is to the following accounts in the order listed below:

Operation and Maintenance Account	Pay all current operation and maintenance expenses.
Airline O & M Reserve Account	For the accumulation of up to \$1,000,000 to pay for reasonable and proper operating and maintenance expenses of the airports.
Principal and Interest Account for Senior GARBS	For the accumulation of monies to meet the maturing senior GARB bond principal and interest requirements.
Bond Reserve Account for Senior GARBS	For the accumulation of senior GARB bond reserves.
Principal and Interest Account for Subordinate GARBS	For the accumulation of monies to meet the maturing subordinate GARB bond principal and interest requirements.
Deferred Maintenance Reserve Account	For the accumulation of monies to pay O & M expenses and unusual or extraordinary maintenance or repairs.
Extension and Bond Retirement Account	Accumulate all monies remaining in the Airport Fund Account after the preceding deposits have been made to be used for any lawful purpose, including payments for capital purposes.

At April 30, 2004, the City was in compliance with the provisions of the ordinances relating to the maintenance of restricted accounts and special reserves and coverage requirements. Resources received with purpose restrictions are shown as restricted until the resources are used for the specified purpose.

#### NOTE 6. LEGAL DEBT MARGIN

The City computes its legal debt margin for general obligation bonds ordinary indebtedness and additional indebtedness based on Sections 26(b) to (c) and 26(d) to (e), respectively, of the State Constitution of Missouri. The bonds issued for aviation purposes and subject to these financial statements are not subject to the legal debt margin of those State Constitution sections. Therefore, no legal debt margin computation is made for the bonds issued for aviation purposes.

#### *Voted Authority for Issuance*

On August 2, 1988, the City held an election at which election the qualified voters of the City approved the City's issuance of up to \$330,000,000 principal amount of airport revenue bonds to be payable solely from the revenues derived by the City from the operation of its airports, including all future improvements and extensions thereto, for the purpose of paying the cost of extending and improving the airports owned and operated by the City, including runways, terminal buildings, and related facilities. On August 8, 2000, the voters approved an additional \$395,000,000 of airport revenue bonds for improvements at the airports. As of April 30, 2004, the City has issued \$319,815,000 of general airport revenue bonds payable from the 1988 authorization and \$86,955,000 of the 2000 authorization. This leaves \$10,185,000 from the 1988 authorization and \$308,045,000 from the 2000 authorization. The City intends to issue the balance of the authorization in future financing.

# NOTES TO FINANCIAL STATEMENTS

## Note 7. LEASE AGREEMENTS

Facilities at MCI are leased through May 31, 2005 to principal (signatory) airlines serving the airport. Total annual rentals are based on actual operating expenses of the airport and are allocated among the airlines based on percentage of terminal space occupied and traffic volume. Landing fees assessed to the signatory airlines are assessed based on the aircraft's landed weight. Total revenues under these operating lease agreements paid by the signatory airlines for the years ended April 30, 2004 and 2003 were \$17,638,897 and \$18,267,247, respectively.

In addition to the leases described above, the City leases space in the Richards-Gebaur, MKC, and MCI Airports under long term non-cancelable operating leases. Certain leases include contingent rentals based upon sales. Total revenues under these operating lease agreements for the years ended April 30, 2004 and 2003 were \$16,240,326 and \$15,977,804, respectively, which included contingent rentals.

Future minimum rentals under such leases for each of the next five years and thereafter are as follows:

Year	Amount
FYE05	\$ 5,511,221
FYE06	5,118,117
FYE07	4,715,145
FYE08	3,700,703
FYE09	3,590,228
FYE10-14	15,007,766
FYE15-19	13,583,004
FYE20-24	10,986,899
FYE25-29	7,878,073
FYE30-34	5,663,805
FYE35-39	4,869,419
FYE40-44	4,750,000
FYE45-49	4,750,000
FYE50-54	950,000

## Note 8. RICHARDS-GEBAUR MEMORIAL AIRPORT

During the FYE00, the Federal Aviation Administration (FAA) approved the City's request to close the Richards-Gebaur Memorial Airport (RG). This approval waived the City's obligation to maintain certain RG parcels for aeronautical use and from the City's federal grant agreement assurance allowing for the public aeronautical use of RG.

The City subsequently closed RG and leased certain parcels as nonaeronautical, revenue producing airport property. This property will be used as both an intermodal freight center (Phase I Property) and an ancillary railroad facility (Phase II Property). These two properties are leased from the City to the Port Authority of Kansas City, Missouri (the Authority) and then subleased from the Authority to Kansas City Southern Railroad (KCSR).

The City and FAA completed a Memorandum of Agreement (MOA) on March 20, 2000 in which the City agreed to diligently pursue the relocation and construction of a replacement general aviation airport, subject to applicable FAA approval, within five years. The City completed the master planning process for the relocated airport and decided against the construction of a relocated airport. RG was placed into permanent closure status with concurrence from the FAA. Certain stipulations as documented in the MOA require the City to set up escrow accounts for the repayment of federal obligations and revenue received from airport property





In accordance with the MOA, the City was required to pay \$5,000,000 plus interest as partial settlement for grant funds received for the development of RG. The settlement was accrued as a nonoperating expense as of April 30, 2002, and was paid in FYE03.

In addition, all proceeds from the sale, lease, or other disposition of RG, up to a maximum of \$18 million as outlined in the table below, are restricted for general aviation projects. Once the percentage has been reached, the remainder of RG lease revenue may be used for AIP (Airport Improvement Program) or CIP (Capital Improvement Program) projects at Downtown or MCI.

Through June 17, 2003	100%
June 18, 2003 — June 17, 2006	50
June 18, 2006 — June 17, 2021	25
June 18, 2021 through lease term	0

#### *Lease Agreement with Related Party*

On December 30, 1999, the City entered into a Lease Agreement (Lease) with the Authority to lease certain RG property referred to as Phase I and Phase II Property for the purpose of subleasing said properties to KCSR. KCSR has leased Phase I and Phase II Property from the Authority for the purpose of constructing an intermodal freight center and an ancillary railroad facility, respectively.

The term of the Lease between the Authority and the City is 50 years beginning January 9, 2000. On the 10th day of each January throughout the term of the Lease, the Authority is to pay rent as follows:

Years 1 — 6	7% of the appraised value of the Phase I Property and, if applicable, 7% of the Phase II Property if construction begins prior to June 1, 2002.
Years 7 — 50	10% of the appraised value of the Phase I Property and, if applicable, 10% of the Phase II Property.

The appraised value for the Phase I and Phase II Property is \$6,100,000 and \$3,400,000, respectively. Rental income related to this Lease is approximately \$665,000 per year for the first five years.

For the years 1 through 20 of the Lease term, the rent payable will be adjusted every five years based upon the consumer price index and the specific terms of the Lease. For years 21 through 50, the rent will be increased every year by 1.5 percent based upon year 20's rent due.

At any time after the twenty-third anniversary of the inception of the Lease, the Authority will have the option to purchase Phase I and Phase II Property for a purchase price that is equal to the fair market value of both properties at that time.

The Fund has accounted for the Lease as an operating lease and had lease revenue of \$665,000 for each of the fiscal years ended April 30, 2004 and 2003.

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